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# INVESTING IN SUCCESS

## NEW DIRECTIONS FOR STUDENT AID IN MASSACHUSETTS

REPORT OF THE TASK FORCE ON  
STUDENT FINANCIAL AID

JUNE 1995

EDUCATION DOCUMENTS  
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MASSACHUSETTS HIGHER EDUCATION  
COORDINATING COUNCIL



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## EXECUTIVE SUMMARY

The payoffs of a college education are substantial. National data indicate that persons with bachelor's degrees earn an average of \$32,629 annually, or 75% more than the \$18,737 average annual earnings of high school graduates. Graduates with associate degrees earn \$24,398 per year, on average, or 30% more than high school graduates. In lifetime earnings, persons with associate and bachelor's degrees secure approximately \$1.1 million and \$1.4 million, respectively--29% and 73% more than the estimated \$821,000 that high school graduates earn. These higher lifetime earnings of college-educated individuals translate to approximately \$15,000-\$85,000 more per person in tax revenues for the Commonwealth than those gained from the earnings of high school graduates. Thus, college-educated individuals not only benefit from higher earnings, they also give back to society in terms of higher contributions to the tax base, which then help to fuel economic growth.

Nevertheless, the public and private benefits of a college education are not possible unless:

- Students gain *access* to a college education;
- They have the ability to make a responsible *choice* regarding the institution they wish to attend; and
- There is *responsibility and accountability* in the management of taxpayer resources and student performance in college.

Student aid is the key factor in the decisionmaking of students regarding whether to go to college, and if they can afford to stay in college. In 1994, Massachusetts students received about \$1.8 billion in direct student assistance from federal, institutional, and state sources. Of the total aid awarded, 63% was in the form of federal loans, 22% in grants provided directly by colleges and universities, 11% in federal grants and work-study, and about 4% in state student grants. Loan volume for Massachusetts students and parents rose from \$400 million in 1990 to more than \$1 billion in 1994, while appropriations for the General State Scholarship program fell from \$53 million to \$32 million during the same time period. Assistance available through the Commonwealth's student financial aid programs will provide critical support to more than 62,000 Massachusetts residents in 1995.

Without student aid from the Commonwealth, thousands of state residents will be denied the opportunity that a college education offers, both to the state and individuals. For the state, college-educated workers are a key part of the competitive advantage that Massachusetts offers over other states. Massachusetts must maintain this advantage to assure employers of the availability of employees with an educational edge that will drive economic expansion and encourage the development of new businesses.

In assessing whether Massachusetts student aid programs address the economic and social needs of the state, the Task Force analyzed available information regarding the impact of current programs. The key findings include:

***Aid awards have declined significantly.*** The maximum award under the GSS program has not increased in 6 years, and in fact has declined since 1990. As a result, the average award has decreased from \$1,231 in 1990 to \$1,050 in 1995, a drop of about 15%. During this same time period, the cost of attendance (tuition, fees, room, and board) has increased by an average of 27%.

***Award levels do not respond to students' needs.*** There is no longer a relationship between aid award levels, state appropriations, and tuition costs. Consequently, award levels have been set at inadequate levels that fail to meet students' financial needs.

***The demand for state student assistance has risen.*** From 1990-1995, the number of applications for the General State Scholarship award increased by 90 percent. In 1990, approximately 114,000 students applied for aid through this program; by 1995, this figure had almost doubled to 216,000.

***Not enough emphasis has been placed on student success in college.*** Today, many students gain initial access to college with the help of financial assistance, but never obtain a degree. On the national level, nearly 50% of those entering college never complete their programs. In order for the state and others to see a return on their student aid investment--an investment in the workforce and community of the future--student aid recipients must not only enter college, they also must complete their programs of study and be rewarded for performing well.

***Massachusetts ranks behind other states in terms of its commitment to student assistance.*** Despite the fact that the state has the 13th largest population and the 5th highest income per capita, it ranks 49th in the nation with respect to support for student aid over the last five years.

***Most current recipients of state student aid programs have low family incomes.*** Of the 36,204 General State Scholarship recipients in 1995, almost three-fourths (74 percent) have annual family incomes of less than \$20,000.

***Part-time students are not eligible for the majority of state student aid programs.*** About 37% of all Massachusetts students attend college part-time, yet these students are not eligible for aid from the GSS program--the main financial assistance program in the Commonwealth--or from most of the other state aid programs. Currently, these students are eligible for state aid through only the Tuition Waiver and Cash Grant programs at public institutions.

***The statewide strategy to improve student and parent understanding of student aid needs to be strengthened.*** The complexities of paying for college are well-documented. Yet, while effective models for providing information about financing college exist--such as the Higher Education



Information Center at the Boston Public Library--the model has not been implemented fully on a statewide level.

*State student aid program data are limited and restrict analysis of the impact of programs on the Commonwealth.* Limited data have restricted the state's efforts to investigate the success of programs and thoroughly document their impact on students.

The Commonwealth's current aid programs have failed to provide access and choice to the extent that today's students require. This need will grow as expected demographic changes occur in Massachusetts, increasing the rich diversity of people who comprise the Commonwealth's residents. Combined with the economic necessity for college-educated workers, these changing circumstances must be addressed through state student aid policy as the Commonwealth moves forward into the new century and beyond. This will require that four fundamental state policy goals be established:

- Increase access and success for the Commonwealth's neediest students;
- Promote student success and institutional responsibility in aid programs;
- Improve outreach efforts regarding student assistance; and
- Streamline, focus, and simplify state student aid programs.

To meet these policy goals, the Task Force on Student Financial Aid urges that the following steps be taken:

**Transform the General State Scholarship Program into a new statewide grant system, the Massachusetts Access, Responsibility, and Choice (MARC) Grant system.**

The MARC system will use the most positive aspects of the GSS program and expand on them by emphasizing access, choice, and responsibility and accountability. MARC bases each aid award solely on financial need, taking into account the cost each student must pay in order to attend college.

The maximum MARC award (the combination of a GO grant, a Tuition Waiver/Cash Grant or Gilbert Grant, and a Performance Bonus award) will follow the current policy regarding the total amount that students in each sector may receive from the Commonwealth through need-based student assistance. For students in the independent sector, the maximum MARC award would be capped at 100% of the net public college and university state appropriations per student, or about \$5,723 in 1995. This standard prevents the amount of state need-based financial aid for students in the private sector from exceeding the operating subsidy for all students in the public sector. For students enrolled in the University of Massachusetts, public colleges, and community colleges, the maximum award would equal 100% of the prior year's average tuition

and mandatory fees in each public sector. In 1995, these averages equaled \$4,552, \$3,292, and \$2,170, respectively. Under this standard, the neediest students at these public institutions--who qualify for the maximum award--would not be adversely impacted by year-to-year fluctuations in tuition and fees.

The components of the MARC system include:

- ***Massachusetts Grants for Opportunity (GO)***: Designed to provide a basic level of aid to ensure that all students have the opportunity to attend college, GO grants will replace General State Scholarship awards and continue to assist both low- and middle-income students attending independent and public colleges and universities in Massachusetts. For the neediest students, the maximum GO grant should offer higher maximum awards than are currently available under the GSS program. This amount may be increased over time as resources permit, thereby moving the Commonwealth toward the goal of meeting 100% of the maximum system cap under the overall MARC program.
- ***Tuition Waivers/Cash Grants, and Gilbert Grants***: These programs already assist students in the independent and public sectors with the cost of college. Current policy prohibits the awarding of Gilbert Grants in conjunction with General State Scholarship grants. Under the MARC system, however, the Gilbert Grant and the Tuition Waiver and Cash Grant programs will be integrated with the GO program so that students can receive a higher level of financial assistance.
- ***Performance Bonus Grants***: This innovative new program rewards the success of the state's neediest students toward graduation, thus improving the economic and social development of the Commonwealth by a college-educated workforce. First, because of their high level of need, these students will be eligible for the maximum GO award and the maximum Tuition Waiver/Cash Grant or Gilbert Grant. Second, to encourage their success toward graduation, the MARC system will offer them a Performance Bonus grant. To receive the Performance Bonus grant, students will be required to maintain continuous enrollment without a break of more than two semesters or 12 months. In addition, students will have to sustain a 3.0 cumulative GPA in order to qualify for the bonus award. The amount of the Performance Bonus grant will equal the *difference* between the maximum MARC award cap and the maximum aid available from the other main need-based state aid programs, not to exceed \$500.

While the present General State Scholarship program offers a basic level of financial assistance to full-time students in all institutional sectors, the MARC system seeks to expand on this function and target students with the most financial need to receive higher levels of assistance from the state. In addition, after ensuring aid for the neediest students, the Commonwealth should aim to expand the eligibility for state aid to accommodate more middle-income students, with the goal of serving significantly more eligible full-time students, to assist them in completing their programs of study. Over time, the state should proportionally increase the



maximum award levels for all recipients of state financial assistance to keep pace with rising need and costs.

**Allow part-time students enrolled in degree programs to be eligible for a prorated proportion of the total aid available through the GO grant program.**

To meet the growing needs of this group and aid them in contributing to the state's economic development, part-time students enrolled in degree programs should be eligible for prorated awards. Because of limited available resources, the portion of funding applied to these students should not exceed 10% of the total monies allocated to the GO program.

**Improve the methods by which student responsibility and institutional accountability are supported through state aid programs.**

To ensure quality and efficiency in its student aid programs, the Commonwealth must promote responsibility on the part of the students and institutions to improve accountability in financial aid programs overall. This can be accomplished by requiring that:

- Institutions sign participation agreements with the Commonwealth to participate in state student aid programs. These agreements should stipulate that institutions:
  - Provide basic demographic data on recipients of state aid to the Commonwealth Office of Student Financial Assistance (OSFA);
  - Describe counseling and support programs for all students that emphasize retention, student aid, and responsibilities for financing higher education; and
  - Describe plans for assessing the post-admissions basic skills and capacities of students and addressing any remedial or developmental needs;
- Students meet the current federal satisfactory academic progress standards for student aid; and
- Institutions report financial aid office audits to OSFA.

**Enhance efforts to communicate information about available financial aid.**

Successful financial aid programs will not serve their purposes if students never acquire information about applying for the programs. To improve communication, technology should be utilized to communicate the availability of student aid and application procedures. Existing regional information centers such as the Higher Education Information Center should be expanded to extend the reach of such programs to all Massachusetts students.

**Consolidate the current state student aid programs that target labor force needs.**

The current system of student aid includes several programs--most of which are currently unfunded--directed specifically toward labor force needs in the Commonwealth. Because Massachusetts must address its economic future in its financial aid system, in this time of limited fiscal resources, the state would be better served by increasing the number of students who enter college and the overall rate at which they obtain their college degrees.

**Structure the No Interest Loan (NIL) program as a revolving fund that would allow several generations of students to receive loans and other forms of student aid support.**

At the time of its inception, the No Interest Loan (NIL) program was intended to serve as a revolving loan program. Funds from the repayment of loans would provide loans for other students, thereby extending the cycle of support that NIL funds provide to low- and middle-income students. Currently, however, funds collected from loan payments are returned to the General Fund of the Commonwealth. The NIL program should be restored to a revolving fund and restructured to allow institutions more flexibility in targeting student needs.

**Increase institutional flexibility in the Tuition Waiver, Cash Grant, and Gilbert Matching Scholarship programs.**

As a general principle, state student aid policy should focus on students with the greatest need. Current categorical waivers under the Tuition Waiver programs can benefit students without demonstrated need as well as students who have other resources for their education. This policy must be reexamined so that public institutions are able to use funds in these programs to target emerging student needs. Similarly, independent institutions should have the ability to award both Gilbert and GO grants to the same students, a concept that is achieved through the MARC system but is prohibited under the current GSS program.

**Require institutions to collect state scholarship recipient and distribution data, which will be reported to the Higher Education Coordinating Council and then forwarded to the governor and the legislature.**

The Office of Student Financial Assistance should ensure that, as a condition of participation in state financial aid programs, every institution develop student monitoring systems to improve the process of information collection regarding student financial aid recipients. The system should include basic demographic information about recipients, such as income level, race, and dependency status.



## INTRODUCTION

American higher education is globally recognized as the best system in the world. Much of that success can be attributed to the broad access and opportunity that the US system has promoted, especially during the latter half of the 20th century. As the nation's social institutions have grown more democratic and the economic importance of a college education has become more apparent, higher education has increasingly opened its doors to all segments of society. With assistance from the GI Bill, and the subsequent expansion of federal student aid programs in the 1960's, larger proportions of society have attended college than ever before. By 1993, more than 20 percent of adults over the age of 25 had earned a bachelor's degree.

At the same time, the economic value of a college education also has grown. Where a high school diploma could once virtually guarantee a decent job, now a college degree is often necessary to secure employment and a decent wage. Since 1975, the average income for high school graduates has barely increased at the rate of inflation. Yet, salaries have risen significantly in real terms for those with a college diploma. Data for 1992 reveal that college graduates earn an average of \$32,629 annually, almost 75 percent more than the \$18,737 average annual earnings of high school graduates. Graduates with associate degrees earn \$24,398 per year, on average, or 30% more than high school graduates. In lifetime earnings, persons with associate and bachelor's degrees secure approximately \$1.1 million and \$1.4 million, respectively--29% and 73% more than the estimated \$821,000 that high school graduates earn. The higher lifetime earnings of these college-educated individuals translate to



approximately \$15,000-\$85,000 more per person in tax revenues for the Commonwealth than that gained from the earnings of high school graduates.<sup>1</sup>

The economy of Massachusetts demonstrates how the importance of a college degree has grown. Whereas low-skill manufacturing was once considered the economic base of the state, the boom in the 1980's resulted in large part because of the availability of the highly educated Massachusetts workforce. With its large number of colleges and universities, the Commonwealth produced graduates that met the needs of employers looking for workers with at least some college education and a higher level of skill. Furthermore, Massachusetts' graduate and professional programs furnished graduates who created companies that employed other graduates.

As the significance of a college degree has increased, however, the ability to pay for college has declined dramatically for the average American. From 1983 to 1993, the average tuition and fees at public colleges and universities rose by more than 120 percent nationally; in Massachusetts, this number increased even faster, by more than 190 percent. Although per capita income remains high relative to the national average,<sup>2</sup> students and families in the Commonwealth have felt the increase in the cost of college; from 1990-1995 alone, the number

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<sup>1</sup> Calculations of tax revenues are based on a 5.95% tax rate.

<sup>2</sup> *Choosing to Compete: A Statewide Strategy for Job Creation and Economic Growth*, 1993.

of applications for the General State Scholarship (GSS) program, the main state student aid program, jumped significantly.

Massachusetts provides financial aid for college to its residents as a near- and long-term investment in the social and economic development of the state. Without student aid programs, a college education would once again become a reality only for the wealthy. In Massachusetts, most students who receive state need-based financial assistance have annual family incomes lower than \$20,000, and, without some form of aid, might be forced to forego a college education altogether. Without a college degree, their chances of competing for employment in the Commonwealth would suffer significantly.

Most importantly, the Commonwealth wins a direct economic return on its investment in student aid. Residents with college degrees earn substantially higher salaries, on average, and, in turn, contribute more in tax revenues. A well-educated workforce strengthens the long-term economic health of the state. The industries that will boost the Commonwealth's economy in future years will require an available supply of educated workers.

Student aid also allows Massachusetts students to select among the 117 institutions of higher education in the Commonwealth--both public and private. Financial aid helps students to pursue their degrees at the institution of their choice, regardless of its location, programs offered, or price tag.

Today eight major student financial aid programs are available to Massachusetts residents, ranging from the General State Scholarship to Tuition Waivers for students at public institutions to the Gilbert Grant program for students at independent colleges. In recognition of the growing importance of student aid in Massachusetts, Chancellor of Higher Education Stanley Z. Koplik established the Task Force on Student Financial Aid. Formed in October, 1994, the Task Force consists of representatives from the higher education, finance, and business communities. Dr. Joseph M. Cronin, President of Bentley College, and Dr. Sherry H. Penney, Chancellor of the University of Massachusetts Boston, co-chair the Task Force.

The Task Force is charged with analyzing current financial aid policy, examining program effectiveness and overall program operations, and determining the impact of student financial aid on access and choice in Massachusetts. Specifically, the Task Force is responsible for reviewing the targeting of resources toward those populations deserving assistance and evaluating the overall impact of state financial aid programs on the Commonwealth. Through these efforts, the state will be able to assess if the current programs are effectively serving targeted populations.

This final report of the Task Force on Student Financial Aid represents the Task Force's collective analysis of student aid needs and priorities. Through eight months of meetings and discussions, the Task Force has analyzed the current system of financial aid in Massachusetts and assessed the fiscal climate affecting the availability of student aid. In addition, the Task Force has examined the economic and demographic changes in the Commonwealth over the last

several years, as well as the projections for the future and their relationship to student assistance. These final recommendations are intended to serve as a policy framework in the near- and long-term as the Commonwealth restructures its student aid system to help improve both the access and choice of students to one of the best array of higher education institutions in the country.







## THE ECONOMIC AND DEMOGRAPHIC CONTEXT

Like much of the United States, Massachusetts has seen its economy change dramatically, especially in the last two decades. Throughout these changes, the importance of an education has grown both for employees and employers. To support the industries of the future and sustain them for the long-term, the Commonwealth must fully utilize its wealth of colleges and universities to maintain the high level of skill and education in its current workforce. Working with the higher education community, the state must assist in educating the diverse population that will comprise the workforce of tomorrow and, as a result, secure its economic future.

### *Higher Education in the Commonwealth*

Massachusetts' colleges and universities significantly enhance the Commonwealth's economic and social well-being. The state's higher education institutions have contributed to providing one of the nation's most highly educated populations, with 27.2 percent of adults in Massachusetts holding bachelor's degrees. The strength of its colleges and universities relates directly to the Commonwealth's economic success in the past and will play a vital role in future growth.

In addition to being one of the state's largest employers, higher education in Massachusetts currently enrolls more than 400,000 students and issues more than 80,000 college degrees every year, ranking among the top ten states in the nation in the number of degrees.<sup>3</sup> Massachusetts

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<sup>3</sup> *Digest of Education Statistics*, 1994.

leads the country in the percentage of total student population enrolled in graduate and professional programs. With 117 colleges and universities--86 independent and 31 public--the Commonwealth also falls in the top ten in the country regarding the number of higher education institutions and the number of private institutions. About three-fourths (87) of these schools are four-year institutions, and the remainder offer mostly two-year programs. A breakdown of the enrollment in higher education institutions in the Commonwealth shows<sup>4</sup>:

	<u>Public</u>	<u>Independent</u>	<u>Total</u>
Total Enrollment	177,689	238,679	416,368
4-Year	102,535	222,843	325,378
2-Year	75,154	15,836	90,990
MA Resident Enrollment	161,695	112,441	274,136
4-Year	89,799	99,506	189,305
2-Year	71,896	12,935	84,831
Minority Enrollment	22,413	35,357	57,770
Pell Grant Recipients	37,516	27,542	65,058
Degrees Conferred	26,401	54,272	80,673
Graduate/ Professional	3,667	20,252	23,919
Bachelor's	14,231	29,328	43,559
Associate	8,503	4,692	13,195

Massachusetts' colleges and universities contribute to the state's economy not only by producing its highly skilled workforce, but by providing one of the most formidable conglomeration of research centers in the nation. Higher education, including teaching hospitals and other college- and university-associated research centers, attracts approximately \$1.8 billion in federal research

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<sup>4</sup> National Center for Education Statistics.

funds to the state annually, second in the nation only to California.<sup>5</sup> The success of these research centers has fueled the growth of industries like biotechnology and telecommunications, which have strengthened the Commonwealth's economy and aided in its rebounding from the most recent recession.

By facilitating access to college for state residents through financial aid, the Commonwealth can invest in its citizens while fully utilizing one of its most precious resources--its colleges and universities. State student aid programs offer Massachusetts students the opportunity of a college education as well as the chance to give back to the state as an educated employee. The Commonwealth should work with the higher education community to structure its student aid programs to give students these opportunities in the most effective and efficient way.

### ***The Economic Background***

Following the recession in 1975, the Commonwealth experienced significant economic growth for the next decade. The state's major research universities provided a strong foundation to supply the needs of the scientific and defense industries, which boomed in the 1980's, fueling much of Massachusetts' prosperity during this period.<sup>6</sup> In particular, the rapid rise of the minicomputer industry contributed to the economic growth during this time.<sup>7</sup> The healthcare sector of the economy also expanded, increasing its importance to Massachusetts.

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<sup>5</sup> *Digest of Education Statistics*, 1994.

<sup>6</sup> *Choosing to Compete: A Statewide Strategy for Job Creation and Economic Growth*, 1993.

<sup>7</sup> Moore, Craig L., and Edward Moscovitch, 1994.



From 1974 to 1984, employment in technology industries rose faster in the Commonwealth than in the nation.<sup>8</sup> Manufacturing jobs also increased during this time as firms rushed to meet the production demands of other growing industries. The service sector of the economy also grew remarkably, as it did in other parts of the country.

After years of strong growth, however, in the late 1980's Massachusetts entered a period of severe economic recession which contributed to fundamental changes in the state economy. From 1984 to 1992, Massachusetts' share of national employment in many of the growth industries of the 1980's declined from about 6.0 percent to 4.9 percent.<sup>9</sup> From 1988 to 1992, the Commonwealth lost close to 400,000 jobs, about 12.5 percent of its total.<sup>10</sup>

The severity of this recession resulted from fundamental changes in both the national and Massachusetts economy. Greater productivity from advanced technology and new management techniques required fewer workers and consequently increased unemployment. Growing global competition hurt some businesses further.<sup>11</sup> Furthermore, in Massachusetts specifically, the success that had been experienced with the defense industry during the 1970's and 1980's subsided with the end of the Cold War. In addition, the transformation of the Massachusetts

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<sup>8</sup> Moore, 1994.

<sup>9</sup> Moore, 1994.

<sup>10</sup> *Choosing to Compete: A Statewide Strategy for Job Creation and Economic Growth*, 1993.

<sup>11</sup> *Choosing to Compete: A Statewide Strategy for Job Creation and Economic Growth*, 1993.

computer industry further contributed to the economic recession.<sup>12</sup> Employment declines in the traditional manufacturing industries further damaged the state's economic base.<sup>13</sup>

### *Outlook for the Future*

Massachusetts is now rebounding from the recent economic downturn, but remains in a precarious position. Fundamental changes in how companies conduct business have seriously impacted the Commonwealth's outlook for the future. While years ago individual firms were responsible for the design, assembly, and production of their own products, trends show that in the 1990's more businesses use other companies to assemble and/ or produce the products that they design and market. In the past, Massachusetts's economy has grown as engineers and production designers conducted basic research and development here and then manufactured their products with local firms. Today, the Commonwealth can no longer take these manufacturing jobs for granted, as companies have shifted production to other states and nations. These trends, in conjunction with increased productivity, raise questions about the expected growth of high-paying, low-skilled manufacturing jobs.<sup>14</sup>

The long-term economic health of the state depends on how the Commonwealth responds to this latest economic challenge in the next few years. Massachusetts must compensate for several economic disadvantages, including the high cost of doing business in the state due to high energy

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<sup>12</sup> Moore, 1994.

<sup>13</sup> *Choosing to Compete: A Statewide Strategy for Job Creation and Economic Growth*, 1993.

<sup>14</sup> Moore, 1994.



costs as well as employment expenses like workers' compensation and health insurance. With these limitations in mind, the state must concentrate on the features that offer the Commonwealth a competitive advantage over other states: namely, its supply of highly educated and skilled labor.

Higher education institutions must play an essential role in producing this labor force by providing education and training. The Commonwealth must work in concert with its colleges and universities to produce graduates who meet the needs of new and existing industries in the state. In addition, Massachusetts should encourage these graduates to launch new businesses in the state. The rate of growth of new firms has been slower in Massachusetts than in other northern industrial states in recent years. To stabilize and improve the economy for the long-term, the state should work with the higher education community to encourage its graduates not only to seek employment in the Commonwealth but to start their businesses here as well.

Furthermore, Massachusetts should capitalize on its substantial base of research centers to strengthen the economy. The success of the software, telecommunications, biotechnology, and electronic components industries directly relates to the accomplishments of university research centers and to the technological expertise and skill of their graduates. The Commonwealth must recognize the economic contributions that these research centers have made in the past and fully utilize them in the future to add to even more economic growth.

Given the intense competition from other states, the Commonwealth should work in conjunction with its colleges and universities to invest in its residents and create a labor force that will meet the needs of employers today and tomorrow. In 1994, Massachusetts' workforce is comprised of some of the most highly skilled professionals in the country. Of the adult population, 27.2 percent held bachelor's degrees in 1994, one of the highest proportions in the country.<sup>15</sup> The Commonwealth must join with the higher education community to maintain this level of education in its workforce. Since the costs of doing business in New England are high by any standard, Massachusetts needs to assure potential businesses of the availability of employees with an educational edge that compensates for the cost differentials.

### *Changing Demographics*

Just as the economy of Massachusetts has experienced significant fluctuations over the last several years, the state demographics have also changed. Although the majority of Massachusetts' residents are white, minorities represent an increasing proportion of the state's population. The educational attainment levels of Commonwealth residents are also changing. In the same way that the Commonwealth must seize the opportunities that its economic changes have brought, the state must also capitalize on the opportunities that a more diverse population presents. These changes--both economic and demographic--present some challenges for the Commonwealth, but more importantly, they offer the chance to improve and increase Massachusetts' cultural diversity and enrichment--factors that will contribute to long-term economic and social prosperity for the state.

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<sup>15</sup> *The Chronicle of Higher Education Almanac*, 1994.

With more than 6 million residents in 1994, Massachusetts ranks as the thirteenth largest state in the country. Although almost 90 percent of Commonwealth residents are white, minorities comprise a growing segment of the state's total population. Specifically, 2.4 percent are Asian, 5.0 percent are black, and 4.8 percent are Hispanic (may be of any race). Approximately 33.2 percent of the Commonwealth's residents are under the age of 25, 33.4 percent are between 25 and 44 years of age, and 33.3 percent are 45 or older. Of those under the age of 25, 70 percent (or 23.2 percent of the total state population) are under 18.<sup>16</sup>

Recent data show that the number of school-aged children is growing faster among minorities than among whites. From 1983-1991, Asians, blacks, and Hispanics showed higher in-migration rates among school-aged children than whites.<sup>17</sup> In other words, Asian, black, and Hispanic school-aged children are moving to Massachusetts at a higher rate than white children. In fact, for most of the measured time period, white children in this age group showed negative migration rates.<sup>18</sup> These data indicate that, among school-aged children especially, the minority population is growing while the white population is decreasing.

Furthermore, minority women are having more children, as measured over their lifetimes, than white women. In 1990, black and Hispanic women showed higher fertility rates than white

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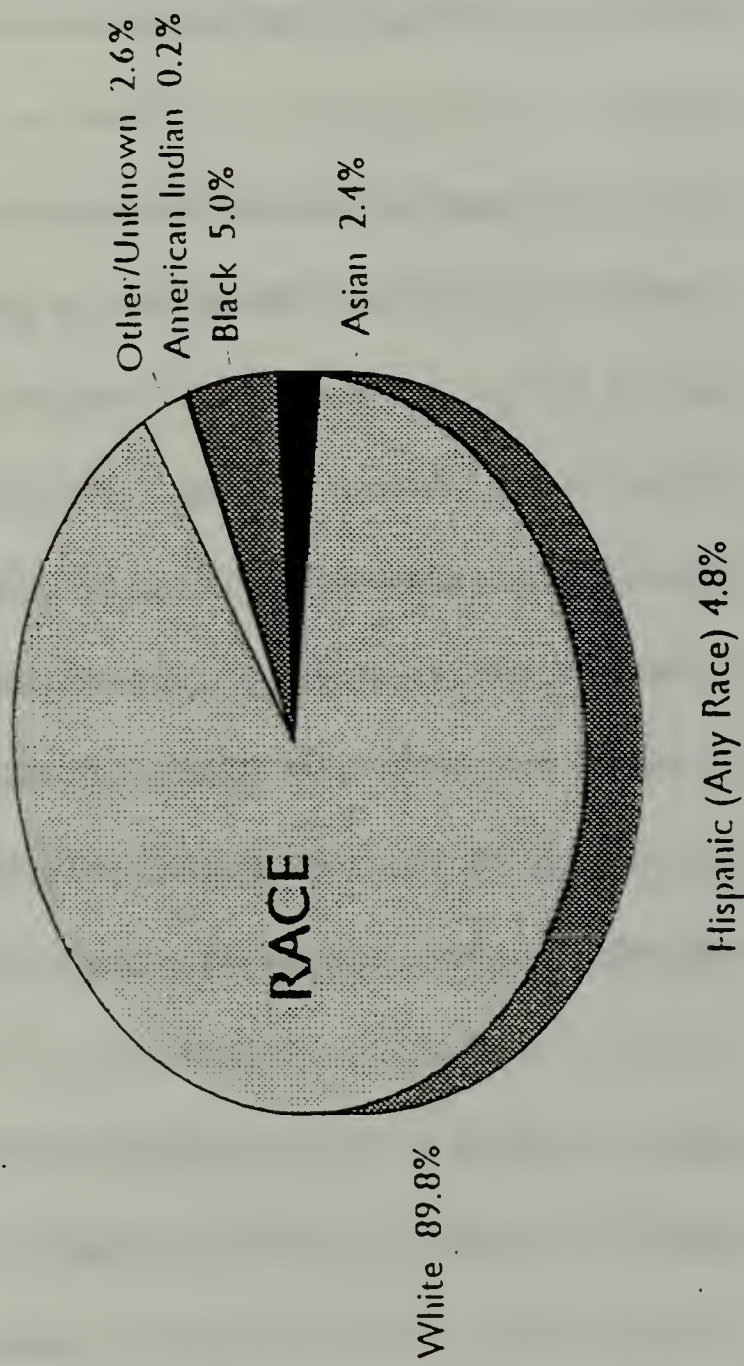
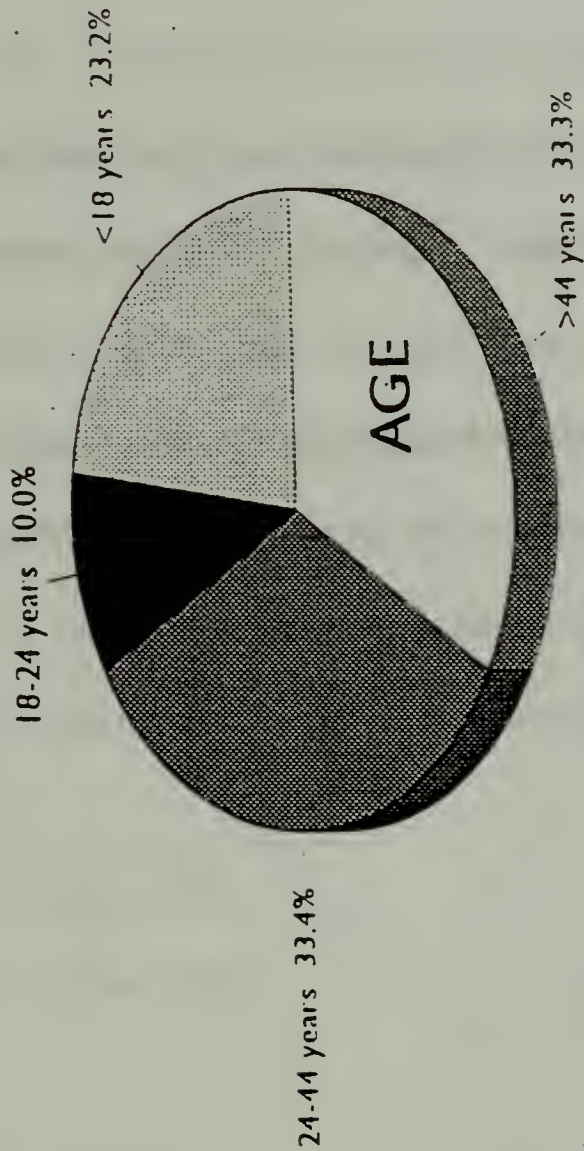
<sup>16</sup> *The Chronicle of Higher Education Almanac*, 1994.

<sup>17</sup> Coelen, 1993.

<sup>18</sup> Coelen, 1993.



# Massachusetts Population by Age & Race in 1994



women.<sup>19</sup> Both higher in-migration and fertility rates indicate that the proportions of minority children are growing at faster rates than those of white children.

The overall level of educational attainment of Massachusetts residents over the age of 24 increased from 1980 to 1990. In this age group, the number of residents without a high school diploma fell by 17.7 percent. At the same time, the number with only a high school diploma dropped by 6.5 percent. In contrast, the number who had attended some college grew by 67.2 percent, and the number with college degrees increased by 55.6 percent. Four main factors can be attributed to these changes: 1) people attained high school diplomas at older ages, lowering the overall number without diplomas; 2) more people moving into the state had high school diplomas than do not; 3) the mortality of older persons with less education lowered the number with less education; and, 4) the number of students entering high school decreased.<sup>20</sup>

Although detailed data on the educational attainment of different racial groups is not readily available, the information that is available indicates that, in general, minorities, including American Indians, Asian and Pacific Islanders, blacks, and Hispanics, have lower educational attainment than whites in Massachusetts. In 1990, with some exceptions, the population in these groups over the age of 25, on average, showed lower high school completion, college attendance, and college completion rates than whites in the same age group.

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<sup>19</sup> Coelen, 1993.

<sup>20</sup> Coelen, 1993.



Perhaps more significantly, college attendance rates increased significantly for blacks and Hispanics from 1980-1990, but college completion rates fell for both groups. This trend holds true for the overall population as well. Although more students are gaining access to a college education, they are not completing college at the same rate at which they are enrolling: 67.2 percent more adults in 1990 had gone to college than in 1980, but only 55.6 percent more had their degrees.<sup>21</sup>

During the 1970's, the rates at which students finished their college education gradually increased as the decade passed. In other words, students were obtaining their degrees in less time, on average, at the end of the 1970's than at the beginning. From 1980-1990, however, these rates decreased; students needed more time to complete their degrees.<sup>22</sup> Research on persistence indicates that as time in college increases, the probability that students will graduate decreases. Furthermore, national data indicate that nearly 50 percent of all students entering college drop out before graduating. These recent trends warn that Massachusetts students might not produce the college graduates that the state will need in order to compete economically.

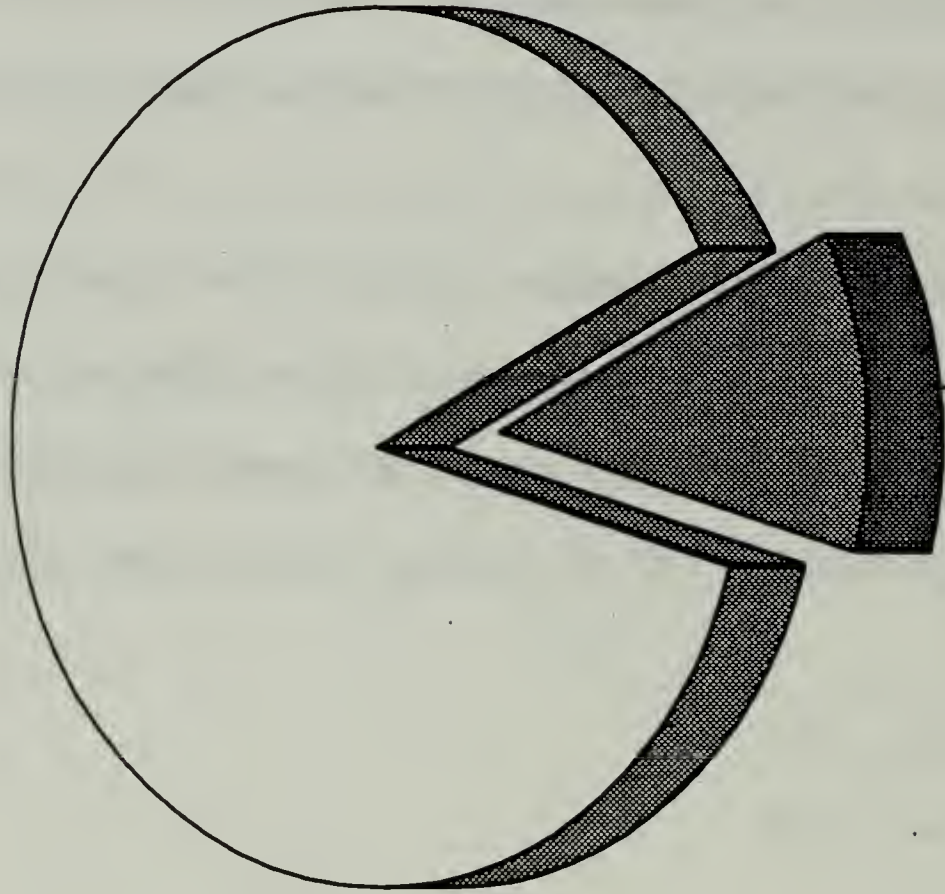
These data hold special significance for the Massachusetts economy. The state's future workforce will be comprised of today's children. With more of these children representing minority groups, tomorrow's workforce will consist of larger portions of minorities than the current workforce. In 1985, 11.6 percent of Massachusetts workers entering the job market

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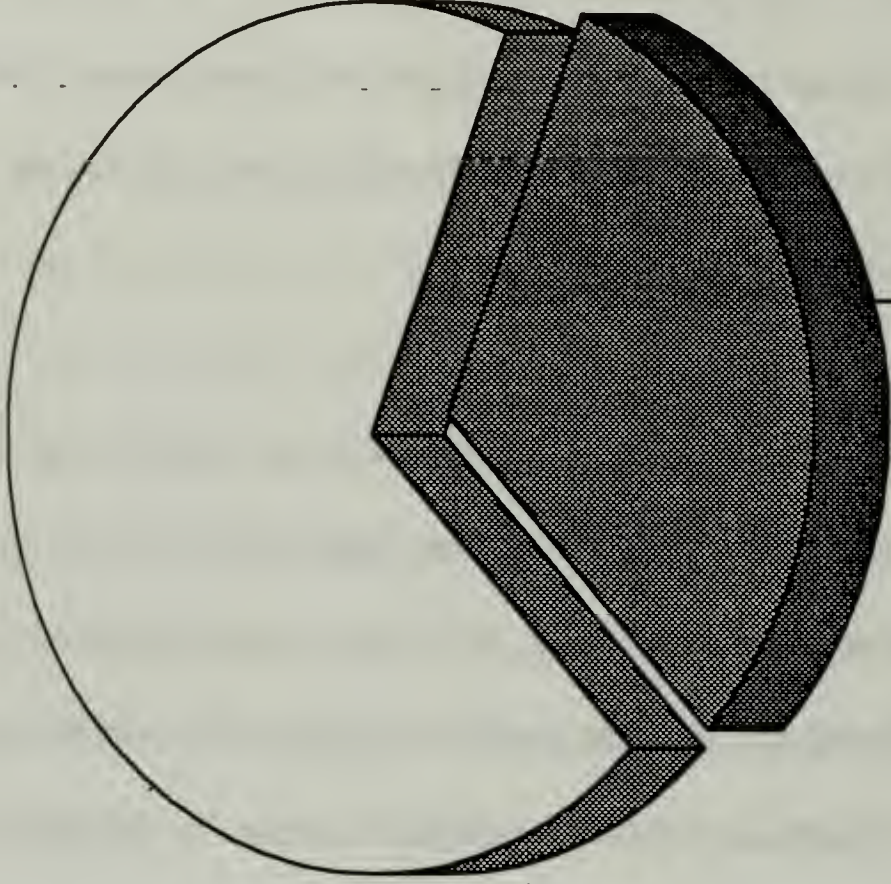
<sup>21</sup> Coelen, 1993.

<sup>22</sup> Coelen, 1993.

# Massachusetts' Changing Workforce



MINORITY WORK FORCE  
11.6% IN 1985



MINORITY WORK FORCE  
31.5% IN 2012



were minorities. In 2012, this number is projected to jump to 31.5 percent.<sup>23</sup> Yet, educational attainment rates are lower, on average, for minorities, and students of all races are showing a decline in college completion rates.

Furthermore, just as the workforce of tomorrow will grow more racially diverse, the college population of today already reflects other changes in its ranks. While college-bound students in the past usually elected to enroll in college immediately or soon after high school, today more and more students are pursuing their degrees later in life. In 1987, 40 percent of all undergraduates in Massachusetts institutions were over the age of 24; in 1991, this figure grew to 42 percent, with a quarter of these students over 40 years old. The increase in non-traditional students also has contributed to the rise in the number of students enrolled on a part-time basis: 37 percent of Commonwealth students in 1991. These changes have occurred in all institutional sectors. Although community colleges enroll the highest percentage of their students on a part-time basis--57 percent--institutions from every sector educate a substantial portion of less-than-full-time students: 27 percent at independent institutions, 38 percent at Massachusetts public colleges, and 32 percent at the University of Massachusetts.<sup>24</sup>

With economic trends revealing the increasing importance of a college education and the vital role that a well-educated workforce can play in strengthening the Massachusetts economy, the Commonwealth, in conjunction with its rich mix of higher education institutions, must commit

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<sup>23</sup> Coelen, 1993.

<sup>24</sup> National Center for Education Statistics, 1991.



its resources to improving the rates of college completion for all Massachusetts residents. These efforts should concentrate on increasing both college access and degree attainment, and should capitalize on the opportunities that a more diverse workforce will offer the state economically and socially.

## MASSACHUSETTS AND ITS FINANCIAL AID SYSTEM

Without student aid, higher education would be possible only for those who could afford to pay for college. These programs serve to equalize educational opportunity and offer a chance for a higher income and a better job, through the attainment of a college degree. In 1995, the Commonwealth will provide more than \$72 million in aid to approximately 62,000 students in all programs.

### *The Student Aid Programs*

Currently, the Commonwealth offers student assistance through eight aid programs: the General State Scholarship, the Gilbert Matching Scholarship Grant, the Christian Herter Memorial Scholarship, the Massachusetts Public Service Grant, the No Interest Loan (NIL) program, the Mass Plan, Tuition Waivers, and Cash Grants.

These programs differ slightly in their eligibility criteria, but most require recipients to be permanent Massachusetts residents, enroll full-time in an undergraduate program, and meet the federal student aid eligibility requirements. Only the Tuition Waiver and Cash Grant programs offers awards to students enrolling less than full-time in the public sector. The Public Service Grant and the categorical tuition waivers are entitlement-based awards and do not require the recipients to demonstrate any financial need. The Herter Scholarship targets recipients in the 10th or 11th grade, provides awards up to 50 percent of financial need, and allows recipients to use the awards at any accredited institution in the United States. Most of the other programs

require that awards be used in Massachusetts or in one of the states that has a student financial aid reciprocity agreement with Massachusetts.

The General State Scholarship program awards almost half of the total state student aid in Massachusetts and may be used at both public and private institutions. The Gilbert Grant provides matching funds to independent institutions to use for student aid programs, and the Tuition Waiver and Cash Grant programs are awarded only to students at public colleges and the University of Massachusetts. The state legislature appropriates funds for these programs, with the exception of the Tuition Waiver program, which instead represents a loss of General Fund revenue for the Commonwealth.

In addition to the eight scholarship, grant, and loan programs that the state currently funds, 13 other state aid programs exist in law, but will not receive funding in 1995. Due to fiscal constraints, shifting priorities, and the reconfiguration of other programs, the Commonwealth has not appropriated funds for the majority of these programs since 1990. Most of these are special needs programs that assist students in specific occupation-related fields, such as teaching, engineering, and medicine. These programs include the Christa McAuliffe Teacher Incentive Grant; the Medical, Dental, and Veterinary Scholarship, and the Graduate Nursing Stipend programs. Others, such as the Part-Time Student Grant program, focus on serving students that are ineligible for some of the other state aid programs, like part-time students. In addition, Massachusetts also administers a few student aid programs that receive funding from other sources, such as the Agnes M. Lindsay Scholarship and the Federal Paul Douglas Teacher



Scholarship. A more detailed description of individual student aid programs is included in the Appendix.

### *Student Aid and the Current Fiscal Climate*

Massachusetts' support of its student aid programs has fluctuated significantly during the last five years. After a period of continuous growth for higher education appropriations, funding levels for student aid have been erratic; rising and falling with the economic health of the Commonwealth. After reaching a peak of almost \$90 million in state funding in 1990, appropriations for student aid declined so severely in 1992 that Massachusetts became the first state in several years to be denied matching dollars through the State Student Incentive Grant (SSIG) program, a federal program providing funds for state need-based grant programs.

As Table I shows, funding for all Massachusetts student assistance in 1992 dropped to \$44.3 million, a one-year decline of more than 38 percent. Funding levels rebounded strongly the following year, reaching \$70.8 million. Since 1993, however, funding has leveled off and remains at approximately 80 percent of the 1990 level.

The individual student aid programs have recovered at different rates. The General State Scholarship has been particularly slow to regain its earlier level of funding. In 1995, its appropriation amounts to less than a 50 percent increase from the 1992 low point and falls \$20 million short of the 1990 peak funding level. In contrast, the Gilbert Matching Grant has increased from \$1 million in 1992 to \$7 million in 1995, but still falls \$2 million below the 1990

Table 1: Massachusetts Student Financial Assistance Programs: Funding Summary

	FY '95	FY '94	FY '93	FY '92	FY '91	FY '90
General Scholarship	\$33,622,648	\$31,967,648	\$32,925,000	\$23,040,000	\$46,581,277	\$53,384,000
No Interest Loan	\$10,000,000	\$9,000,000	\$9,000,000	-	-	-
Gilbert Grant	\$7,000,000	\$4,000,000	\$3,000,000	\$1,000,000	\$4,147,200	\$9,225,000
Herter Schol & Public Service Grant	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$48,000	\$600,000
Tuition Waiver	\$9,876,186	\$9,876,186	\$9,876,186	\$19,111,717	\$14,100,000	\$10,600,000
Cash Grant	\$10,000,000	\$10,000,000	\$10,000,000	-	-	-
Mass Plan	\$1,000,000	\$1,000,000	\$5,000,000	\$0	\$0	\$0
<i>Mass. Graduate Grant</i>	\$0	\$0	\$0	\$0	\$2,880,000	\$2,500,000
<i>Adult Learner</i>	\$0	\$0	\$0	\$0	\$0	\$850,000
<i>Part Time Grant</i>	\$0	\$0	\$0	\$0	\$1,920,000	\$3,100,000
<i>Dedicated Grant</i>	\$0	\$0	\$0	\$0	\$0	\$1,300,000
<i>McAuliffe Scholarship</i>	\$0	\$0	\$0	\$0	\$0	\$150,000
<i>Engineering</i>	\$0	\$0	\$75,000	\$115,000	\$0	\$0
<i>Medical/Dental</i>	\$0	\$0	\$0	\$0	\$0	\$3,500,000
<i>Consortium</i>	\$0	\$0	\$0	\$0	\$0	\$500,000
<i>Honor</i>	\$0	\$0	\$0	\$0	\$0	\$500,000
<i>Mass. Educ. Employment Program</i>	\$0	\$0	\$0	\$0	\$0	\$2,200,000
<i>Commonwealth Scholars</i>	\$0	\$0	\$0	\$0	\$0	\$976,000
<i>Graduate Nursing</i>	\$0	\$0	\$0	\$0	\$0	\$0
<i>Mass. Low Interest Loan</i>	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$72,498,834	\$66,843,834	\$70,876,186	\$44,266,717	\$69,676,477	\$89,385,000

Source: OSFA

Programs in italics have not been funded in the current fiscal year. In some instances, these programs have not received funding in the last several years or have been collapsed into other programs.

funding level. The Cash Grant and Tuition Waiver programs have experienced significant fluctuation. In 1992, when the other programs saw their appropriation levels drop, allocations to the Tuition Waiver program jumped to \$19.1 million. The next year, the legislature capped the Tuition Waiver allotment at about \$9.9 million and established the Cash Grant program, with a \$10 million appropriation. The NIL, Herter Scholarship, and Public Service Grant programs have faced generally flat funding with slight increases since 1992.

These funding trends indicate emerging interest for funding student aid programs through alternate budget methods. The 1992 increase in funding for the Tuition Waiver program in conjunction with decreases in other programs signifies that this program is viewed as an attractive funding option, perhaps because it is funded by lost revenue, as opposed to appropriations. The rate at which funding for the Gilbert Grant program at independent institutions rebounded after 1992 might also have to do with an alternate financing method: matching funds. Since institutions are required to match state funds for this program, the state might see this as a more effective use of Commonwealth monies. In addition, since institutions match far more funds to this program than are required of them, the state, by providing matching funds, in effect, multiplies and leverages aid for Massachusetts students.



### *The Implications of the Current Budget Situation*

While the Commonwealth appears to have emerged from this most recent funding crisis and has somewhat regained its footing, resources remain scarce, and the competition for them continues to grow. Slower economic growth has strained resources available for discretionary state programs, such as student aid and higher education. This scarcity and lack of predictability in resources have prompted the need to re-examine the Commonwealth's priorities in terms of student aid program goals and target populations.

In light of this shortage of resources, policymakers have grown increasingly interested in institutional and programmatic productivity, as well as linking specific outcomes to the funding provided. From a public policy perspective, concern regarding student aid has centered chiefly on the kinds of programs to which students are gaining access through student assistance. High student loan indebtedness, default rates, and a lack of student success, as seen in declining degree attainment rates for example, have increased the demand for accountability.

The redesign of student aid program purposes has further influenced the rethinking of student aid programs and priorities. Although financial need continues to be the primary factor in determining eligibility and awarding aid, pressures have mounted to focus on other priorities, such as labor force needs, academic achievement, and other goals. This pressure has caused a proliferation of proposals to create additional aid programs that lack the funding for implementation.

Rising interest in coordinating federal, state, and institutional student aid has also affected recent policy discussions concerning student aid. More cooperation among the parties providing aid results in streamlined and more efficient delivery of aid and greater simplicity for participants in the programs, including students, parents, and administrators. Such coordination also promotes increased understanding of the responsibilities that governments, institutions, and families share in financing postsecondary education.

In examining Massachusetts and its current financial aid system, the need for more accountability, a redesign of program purposes, and greater coordination among the providers of aid should be considered. While colleges themselves have made significant contributions to student aid, federal and state assistance have lagged behind. In reconfiguring the current system of student aid, the growing disparity between available financial assistance and the cost of a higher education must also be addressed. Pressure from other program areas will continue to limit the fiscal resources available; yet the Commonwealth cannot afford to perpetuate this problem of inadequate student aid. Massachusetts must increase its investment in educating its workforce in order to secure long-term economic prosperity.





## EVALUATING THE CURRENT STUDENT AID PROGRAMS

Although Massachusetts offers its students a vast array of methods for obtaining state student assistance--21 aid programs, eight of which receive funding--questions arise as to whether these programs match the needs of the Commonwealth's students, given the demographic and economic changes that the state faces. What do these programs intend to accomplish? Whom do they serve? Who is not served by the current programs who should be? To what extent do these programs assist students? These questions must be answered in order to determine the effectiveness of the current state student aid system and what aspects of it should change to better serve Massachusetts' students.

From their requirements, the goals of these programs appear very similar. Yet, they differ in subtle ways. The General State Scholarship intends to assist all financially needy Massachusetts students with the cost of their education, with maximum award levels linked to the institutional sector in which students are enrolled. The Gilbert Grant is designed to help students at independent institutions with their education while the Cash Grant and Tuition Waiver programs aid students at public colleges and the University of Massachusetts. The Herter Scholarship assists secondary school students who might otherwise not attend college and bases its award levels on the student's need.

The Commonwealth must ascertain what purposes student aid programs should serve and then how best to achieve them. At the institutional level, the programs are combined into a single

award package aimed at meeting each recipient's financial need. At the state level, however, no mechanism exists for integrating the various state programs to meet student need. While the state should not mandate a specific packaging policy for institutions, greater coordination of existing Commonwealth programs at the state level might more effectively accomplish the state's purpose of meeting a portion of student financial need.

The Task Force's evaluation of the Commonwealth's aid programs has resulted in several important findings regarding the current strengths and weaknesses of these programs. These findings include:

**State student aid awards have declined significantly.**

The maximum award under the General State Scholarship program has not increased in 6 years, and in fact has declined since 1990. As a result, the average award has decreased from \$1,231 in 1990 to \$1,050 in 1995, a drop of about 15 percent. During this same time period, the cost of attendance (tuition, fees, room, and board) has increased by an average of 27 percent.

In addition, state spending per student has decreased as the cost of college has risen. Massachusetts appropriations per student in the public sector actually declined during the last several years. In 1988, Massachusetts appropriated about \$6,087 on average per student

enrolling in a public college or the University of Massachusetts.<sup>25</sup> In 1995, this amount equals \$5,723, a decline of about five percent, without accounting for inflation. With the net state appropriations per student falling in current and constant dollar terms, and the real costs that students face rising, students are paying more with less commitment from the state.

**State student aid award levels do not respond adequately to students' needs.**

State policy sets maximum award levels for the private and public sectors without establishing a procedure that clearly links award levels to state appropriations and tuition costs. Although both the 1988 Task Force on Student Financial Aid<sup>26</sup> and the Task Force on Fair Share Funding<sup>27</sup> discussed this problem, it still remains. Current state policy attempts to address students' needs by establishing maximum award levels that correlate to students' costs needs--like tuition and fees--but these award goals fail to correspond with actual award levels. Therefore, current award amounts fall short of students' needs.

The maximum award for the General State Scholarship for students in the public sector should equal 100 percent of average tuition and mandatory fees at public two- and four-year colleges and the University of Massachusetts, minimizing these students' effective cost of attendance.

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<sup>25</sup> *Expanding Opportunities for Higher Education in the Commonwealth: Quality, Access, and Choice*, 1988.

<sup>26</sup> *Expanding Opportunities for Higher Education in the Commonwealth: Quality, Access, and Choice*, 1988.

<sup>27</sup> *Stabilizing the Commonwealth's Investment: Toward a Five-year Financing Plan for Higher Education*, 1994.



# Net State Appropriations for Public Sector Students

State Maintenance Appropriations less Student Tuition Reverted	\$590,760,669 (\$179,420,589)
State Appropriations - McNair	\$3,615,410
State Library Appropriations	\$10,374,557
Fringe Benefits	\$201,025,742
State Capital Expenditures for Deferred Maintenance **	\$17,508,585
State Debt Service	\$24,548,000

**Total State Support** \$668,412,062

FY 1995 Adjusted State Support \$668,412,062  
Fall 1994 FTE Students 116,794

**State Support per FTE Student** **\$5,723**

\* The support and enrollment figures do not include the University of Massachusetts - Worcester.  
\*\* State support for capital expenditures is current fiscal year funds released for deferred maintenance.

In actuality, however, the maximum awards fall below this goal. For students attending the University of Massachusetts, General State Scholarship awards fluctuate from \$300-\$1,100, comprising between seven and 24 percent of the 100 percent maximum--\$4,552 in 1995. For state colleges, where tuition and fees average \$3,292 in 1995, the awards range between eight percent (\$250) and 27 percent (\$900) of the maximum. Awards for students at Massachusetts community colleges--tuition and fees are \$2,170 in 1995--fall between 12 percent (\$250) and 32 percent (\$700) of their limit. These award levels do not meet their intended maximums and fail to respond to students' needs.

In the private sector, the maximum General State Scholarship cannot exceed the net state appropriation per student in the public sector (\$5,723 in 1995). In actuality, General State Scholarships follow this policy, yet arbitrarily range from a minimum of \$650 to a maximum of \$2,500. These award levels equal between 11 and 44 percent of their established limit and, like the GSS awards in the public sector, do not adequately meet students' needs.<sup>28</sup>

### **The demand for state student assistance has risen.**

The demand for student assistance has risen significantly in recent years. From 1990-1995, the number of applications for the General State Scholarship award increased by 90 percent. In 1990, approximately 114,000 students applied for aid through the program; in 1995, this figure almost doubled to 216,000. While a portion of this growth in applications might be due to the

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<sup>28</sup> Award levels for the Gilbert Grant program are not related to this policy.

removal of the application fee and changes in federal law, the magnitude of the jump suggests that the need for more aid was the primary cause.

**While access has been the main focus of student aid programs, not enough emphasis has been placed on student persistence and success in college.**

Today many students gain initial access to college with the help of financial assistance, but never obtain a degree or other credential. On the national level, nearly 50% of those entering college never complete their programs. In order for the state and others to see a return on their student aid investment--an investment in the workforce and community of the future--student aid recipients must not only enter college, but must also complete their programs of study. Student aid programs, therefore, have a legitimate interest in actively promoting student persistence and degree completion.

Research indicates that grant aid positively impacts student persistence. For example, a U.S. General Accounting Office (GAO) study shows that awarding an additional \$1000 in grant funds to African-American and Hispanic students decreases the probability of the recipients dropping out of college by about 7 percent and 8 percent, respectively.<sup>29</sup> This information suggests that grant programs can have a positive impact on persistence and student success in college.

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<sup>29</sup> Blanchette, 1994.



Currently, state and federal student aid programs require students to maintain "satisfactory academic progress" at their institution in order to continue to receive financial assistance, but do not actively promote student persistence. New federal regulations stipulate that students must achieve a minimum cumulative GPA of 2.0 (or a comparable assessment of academic performance) and complete their programs within 150 percent of the "published" length of the program in order to receive federal student aid. While this standard sets a minimum academic progress requirement for federal student aid, it does not offer any positive incentive for students to persist in college.

**Massachusetts ranks behind other states in terms of its commitment to student financial assistance.**

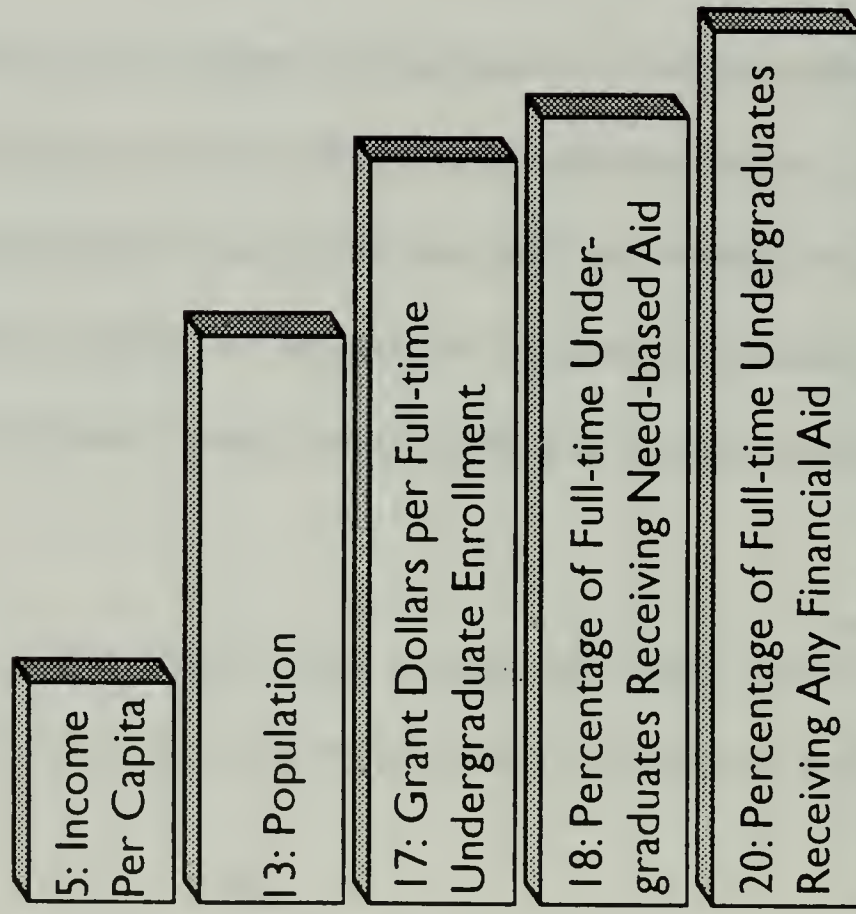
In 1994, in terms of population, Massachusetts was the thirteenth most populous state in the country, and its residents enjoyed the fifth highest income per capita.<sup>30</sup> With regard to the percentage of undergraduates receiving aid based on need, however, the Commonwealth was eighteenth in the nation, and twentieth in the percentage of full-time undergraduates receiving any financial assistance. In these two categories, the Commonwealth fell below the national average and behind the neighboring states of Connecticut, Maine, New Jersey, and Rhode Island.<sup>31</sup> During the same year, Massachusetts ranked seventeenth in the amount of student aid

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<sup>30</sup> *Independent Higher Education in Massachusetts, 1994.*

<sup>31</sup> *National Association of State Scholarship and Grant Programs 25th Annual Survey Report, 1994.*

# Massachusetts' National Rankings in 1994



49: Percentage Growth in Need-based Undergraduate Aid Expenditures between 1989 and 1994

grant dollars per full-time undergraduate enrollment--also below the national average and after states like Connecticut, New Jersey, and Vermont.

Furthermore, because of the significant drop in student aid funding from 1990-1992, Massachusetts awarded about 28 percent less in need-based undergraduate aid in 1994 than in 1989--the second highest decline in the country. In fact, Massachusetts was one of only three states that saw a decrease in student aid funding of more than 10 percent during that time period. Virginia was the only state with a larger drop in funding over the five-year period.<sup>32</sup>

**The vast majority of current state student aid recipients have low family incomes.**

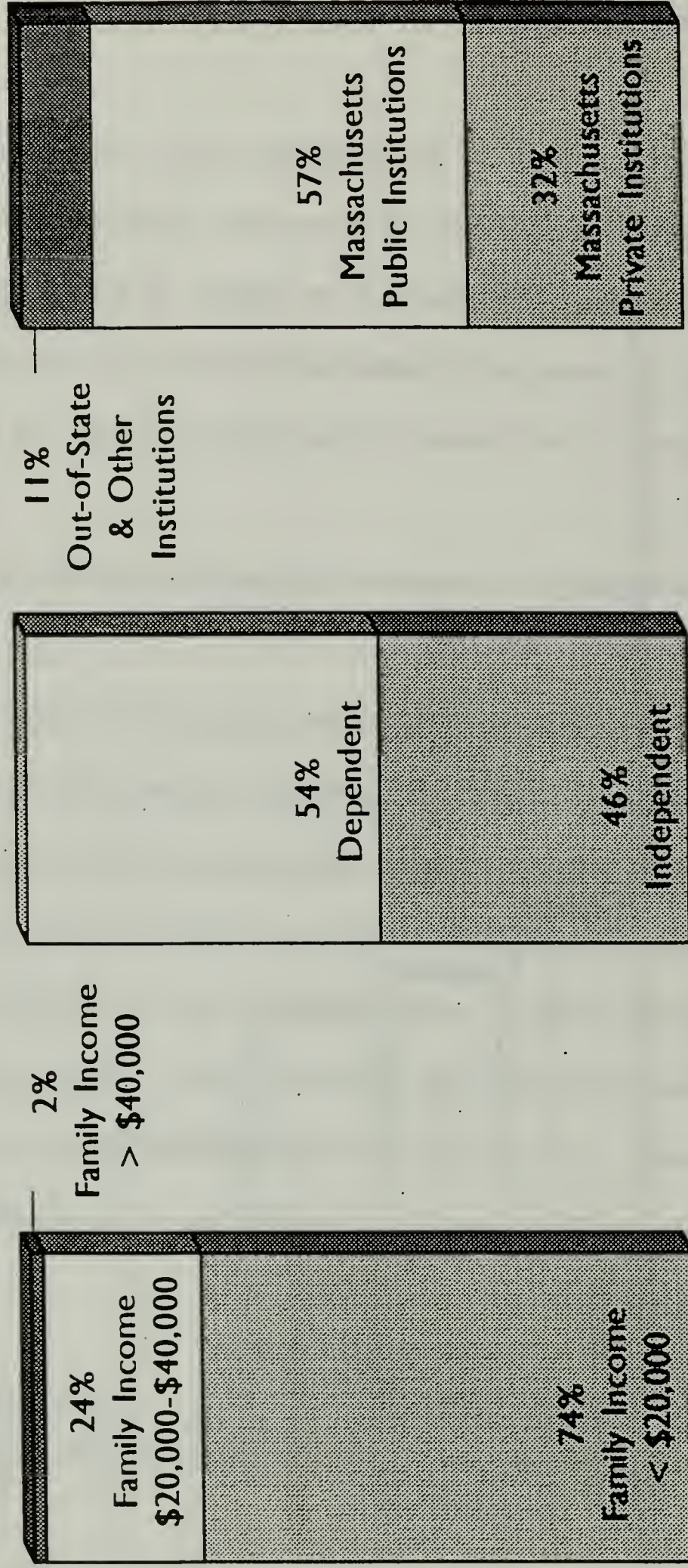
Most of the current recipients of state student aid have low family incomes. In 1995, the General State Scholarship will be awarded to approximately 36,204 students. Of these students, almost three-fourths (74 percent) will have annual family incomes of less than \$20,000. About 24 percent of the recipients' family incomes will fall between \$20,000 and \$40,000, while only two percent will have family incomes of more than \$40,000. About 54 percent of these recipients will be financially dependent students, with the remaining 46 percent classified as independent. This percentage of independent students has grown from 20 percent in 1990, an especially significant jump since the definition of an independent student has been tightened during this period.

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<sup>32</sup> *National Association of State Scholarship and Grant Programs 25th Annual Survey Report, 1994.*



# General State Scholarship Recipients in 1995



Total Number of Recipients = 36,204

**Part-time students are not eligible for the majority of state student aid programs.**

Although part-time students comprise 37 percent of all Commonwealth students (as of 1991)<sup>33</sup>, they are not eligible to receive aid from the majority of state student assistance programs. The General State Scholarship program, the main state student aid program, restricts eligibility to students enrolled on a full-time basis, as do most of the other programs. Consequently, part-time students are currently eligible for state aid through only the Tuition Waiver and Cash Grant programs at public institutions. An existing statutory program for part-time students has not received funding since 1991.

**The ratio of loans to grants in student aid has increased dramatically for Massachusetts students in the last decade.**

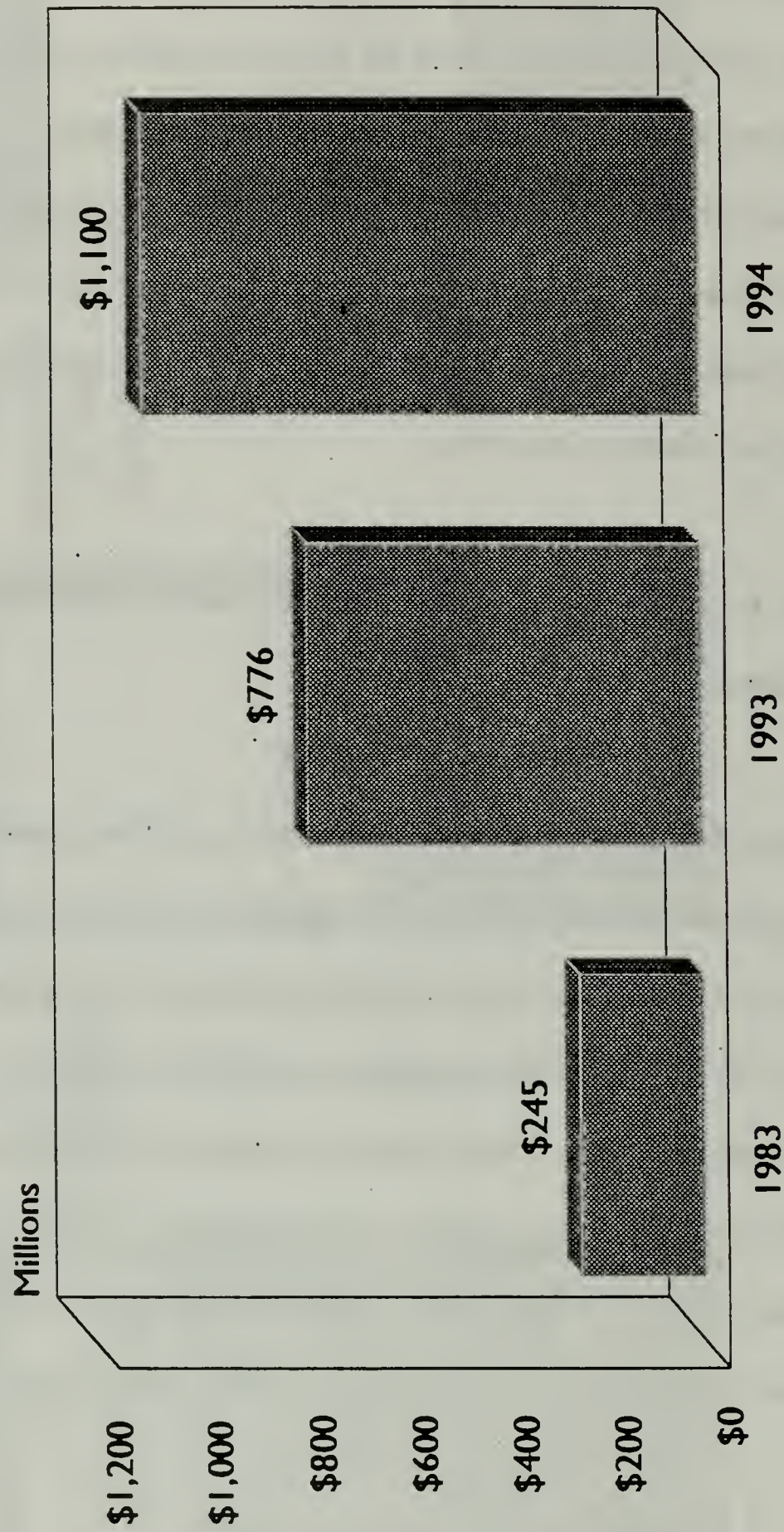
The decline in grant aid available for students and the increase in loan limits, in conjunction with growing student need, has caused students to use loans to finance their education. In recent years, student borrowing has climbed while grant aid has dwindled. In 1994, the loan to grant ratio for all student aid nationally was slightly less than 3:1. In Massachusetts, the ratio was substantially higher. Massachusetts students and parents borrowed more than \$1.1 billion in federal and state loans in 1994, yet they accessed only \$185 million in governmental grant funds. This loan to grant ratio of 6:1 depicts the extent to which borrowing for college has replaced grant aid as the primary source of financing a postsecondary education in the Commonwealth.

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<sup>33</sup> National Center for Education Statistics.



# Massachusetts Student Borrowing from Federal Loan Programs





By comparison, in 1984, the loan to grant ratio in Massachusetts was 4:1, still exorbitantly high compared to the 1970's but nearly 50 percent below the current level. The 1994 ratio also offers policymakers a glimpse of how the burden of paying for a college education has shifted to students themselves.<sup>34</sup> As a result, many students leave college with a large debt in addition to their degree. Forcing the next generation of workers to assume vast quantities of debt in order to compete in the labor force will only hurt the Commonwealth and its economic future in the long-term. Massachusetts must address this ratio when restructuring its system of student aid by placing a greater emphasis on state-funded grant aid, as opposed to new loan programs.

**Massachusetts student borrowing, especially from federal loan programs, has risen significantly in recent years.**

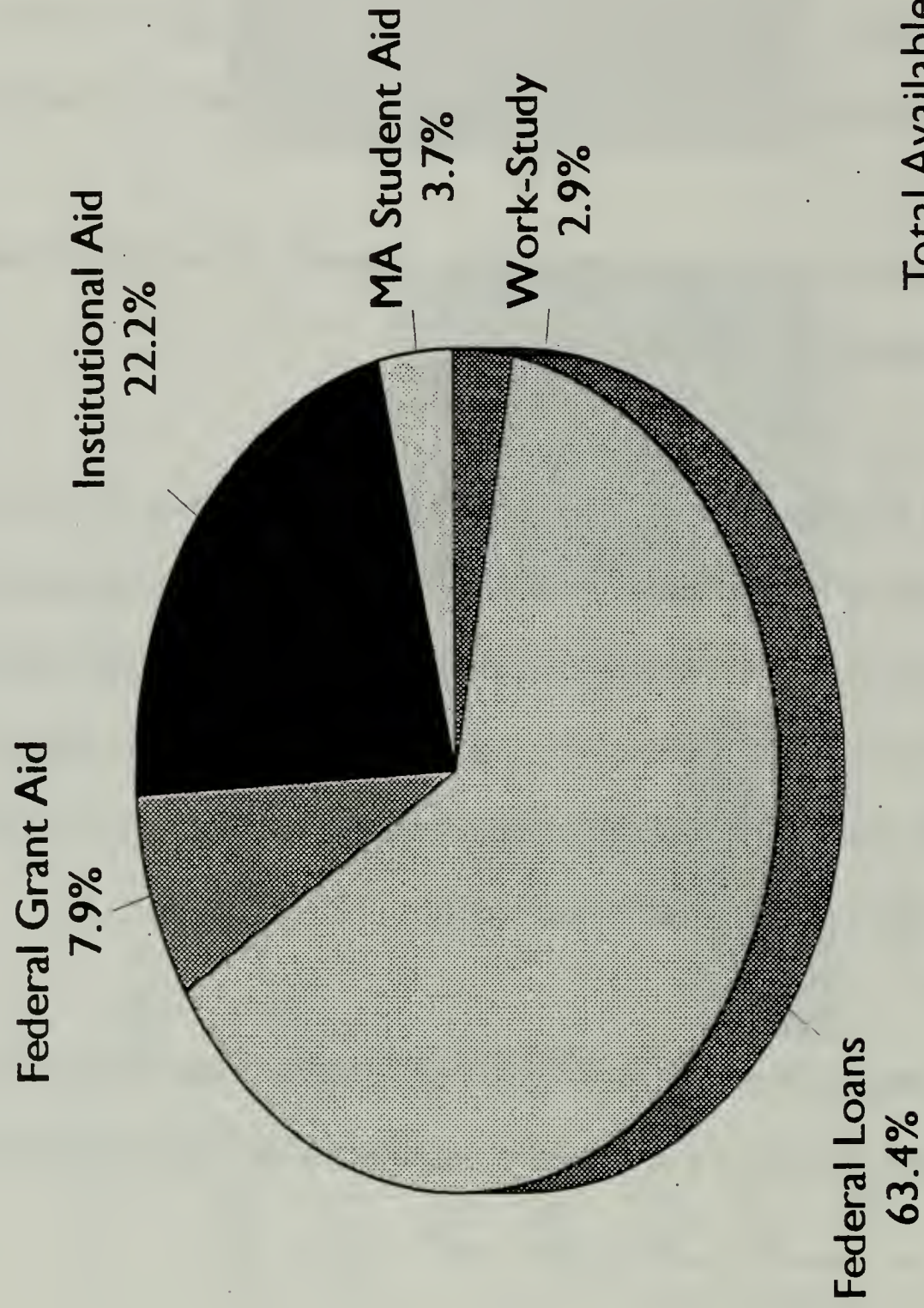
The considerable financial need of Massachusetts students required more than the \$66 million in aid that Massachusetts provided in 1994. This amount comprised only 3.7 percent of the \$1.8 billion used by Commonwealth students that year. As a result, students were forced to rely on federal forms of financial assistance, the majority of which is awarded in the form of loans. In 1994, federal student loans comprised more than 75 percent of the total need-based student aid available from the federal government.

Although student loan volume has risen throughout the country--an increase driven mainly by higher loan limits and the creation of unsubsidized federal student loans that are not based on

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<sup>34</sup> Cheever, 1995.

# Total Student Aid Available in Massachusetts in 1994





need--the surge in student borrowing in Massachusetts has been particularly high. While in 1983 Massachusetts borrowers received \$245 million in federal loans, by 1993 that figure more than tripled to \$776 million. Even more astonishing, only one year later the amount borrowed increased by 42 percent, to \$1.1 billion.<sup>35</sup> Furthermore, these figures actually underestimate the total student loan volume in Massachusetts; students also borrowed from other sources, such as the Massachusetts Educational Finance Authority and The Education Resources Institute (TERI). For example, in 1994 Massachusetts residents borrowed more than \$33 million in additional loans from TERI, which increases loan volume for the Commonwealth even more. Although the large number of graduate schools, especially medical schools, raises overall student loan volume in the Commonwealth above that in other states, the recent growth in Massachusetts shows that more students are borrowing more money for higher education than at any previous time in history.

**Massachusetts institutions provide an increasingly significant amount of resources from their own budgets for student aid.**

In addition to the financial assistance available from the federal government and from the Commonwealth itself, in 1994, Massachusetts students relied on more than \$400 million in student aid from institutions, especially private colleges and universities. This represents 22.2 percent of the total aid available in the Commonwealth. Aid provided directly by independent colleges and universities in Massachusetts has grown significantly, from approximately \$50

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<sup>35</sup> A portion of this figure includes unsubsidized loans to middle- and high-income students.



million each year during the late 1980's to about \$400 million today. While private colleges provide the vast majority of institutional aid, public colleges have begun to establish more substantial institutional aid programs since tuition and fees rose in the late 1980's. For example, from 1990-1995, the University of Massachusetts has increased its institutional aid funds from \$2 million to \$16 million. The significant amount of resources that Massachusetts institutions contribute to student financial assistance grows more vital to students as the amount of aid from other sources decreases.

**The statewide strategy to improve student and parent understanding of financial aid needs to be strengthened.**

While effective models for providing information about student aid exist, such as the Higher Education Information Center (HEIC), the model has not been fully implemented on a statewide level. Research demonstrates that the majority of students and parents do not understand how financial aid programs work or what programs are available.<sup>36</sup> Most depend on high school guidance counselors and college financial aid officers to provide them with the information that they need. Students who require financial assistance to attend college might not even apply to institutions because they are unaware of the financial assistance that they could obtain.

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<sup>36</sup> *Public Perceptions about the Impact of Proposed Budget Cuts in Financial Aid for College Education*, 1994.

The HEIC at the main Boston Public Library provides important information about financial aid and opportunities to needy and at-risk populations. Other centers also offer differing levels of similar services at limited sites across the state, yet at present a statewide strategy for integrating such information has not been implemented. The federally funded Massachusetts Educational Opportunity Centers (EOC) have sites in six cities (including HEIC), but are restricted by TRIO regulations to serving low-income, first-generation adults. The EOCs are funded to help 7,200 adults each year. To assist needy students in gaining access to college, the state should establish an effective system to provide necessary information about college opportunities and financial aid programs to parents and to the students themselves. A plan for such a system was drafted in 1989 and might serve as a useful starting point for a statewide strategy. By developing a strong statewide information system, the Commonwealth would not only improve its student aid programs but also increase their success in providing assistance to those most in need.

**Student aid program data are limited and restrict analysis of the impact of programs on the Commonwealth.**

The lack of available data limits the analysis of the impact of student aid in Massachusetts. Without the necessary data collection mechanisms and reporting requirements, the state cannot thoroughly investigate the success of the programs and how the effects of state aid have changed with changing demographics. Furthermore, no current information measures the relationship between financial aid and student retention and completion rates. If the state had previously

established a system of data tracking within the student aid community, the impact of student aid relative to these and other factors could be evaluated more conclusively.

Detailed data on recipients, such as family income levels and dependency status, are not reported on a statewide basis for any of the student aid programs, except for the General State Scholarship. The available information on the other state programs shows, in most cases, only the number of awards and the average award level.

A majority of state aid recipients attend public colleges and universities in Massachusetts. Of the 36,204 recipients, 57 percent (20,636) will enroll in public institutions, 32 percent (11,585 students) will attend private institutions, and the remaining eleven percent will choose schools outside Massachusetts. More than half of college-going Massachusetts residents select independent institutions. Since these colleges have higher attendance costs and because the state directly subsidizes the cost of education for students in the public sector, 57 percent (\$20.8 million) of the total \$36.4 million in General State Scholarship funds will be awarded to recipients at private institutions while 35 percent (\$12.7 million) will go to students at public colleges and the University of Massachusetts. Since award values for the General State Scholarship program are based on both student need and the cost of attendance, more students at public institutions are served with fewer dollars than at private institutions where fewer students are provided more aid dollars. The higher cost of attendance at private institutions sets the average General State Scholarship award at \$1,570 for students at private institutions and \$718 for students attending public institutions.



Slightly more than 4,000 students will utilize loans through the No Interest Loan program to supplement their education. On average, they will borrow about \$1,115 per loan. Most students using this program (56 percent) come from families with annual incomes of less than \$20,000. One-third of the borrowers have incomes between \$20,000 and \$39,999, with a little more than 10 percent having incomes over \$40,000. The majority of these students will be classified as dependent with about 1,240 (31 percent) independent recipients. About 77 percent of these students will attend private universities and will borrow \$6,930,000 overall in 1995. The remaining 23 percent will attend public institutions.

About 4,576 students will receive the Gilbert Matching Scholarship Grant in 1995. These students will receive an average award of \$1,520 to use at the independent Massachusetts institution of their choice. Other data on the demographics of Gilbert recipients, such as family income level and dependency status, are not reported by institutions currently, but will be in the future.

In 1995, the Christian Herter Memorial Scholarship will be awarded to 113 recipients who will receive an average annual award of \$8,550. Of these 113 recipients, about 47 percent will have family incomes of less than \$20,000. Almost 30 percent will have family incomes between \$20,000 and \$40,000, and 23 percent will have family incomes between \$40,000 and \$45,000.<sup>37</sup> About 67 percent of these recipients will be dependent, and 33 percent will be independent. Approximately 69 percent of these students will use their awards at private schools, and 31

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<sup>37</sup> Recipients cannot have annual incomes of more than \$45,000.

percent will enroll in public institutions. Approximately 3.5 percent of these recipients will enroll in institutions outside of Massachusetts.

The Cash Grant and Tuition Waiver programs will benefit about 30,802 students in 1995. About 13,279 students will receive Tuition Waivers averaging about \$750 per student. Another 17,523 students will be awarded an average of \$570 each in Cash Grant funds. Other information about Tuition Waiver and Cash Grant recipients is not currently reported to the state, but will be in future years.

About 62 students will receive the Public Service Grant in 1995. Their average award will be about \$1,080. Of these 62 recipients, about 44 students (71 percent) will attend public institutions. The other 18 recipients will enroll at private schools and will receive a \$2,500 award, on average.

Massachusetts falls far below other states with respect to its commitment to student assistance. Substantially more students apply for grant assistance than receive it every year, with the ratio of applicants to recipients increasing steadily. Despite these circumstances, the Commonwealth has yet to establish a clear link between state appropriations, the costs that students must pay, and student aid. Without a mechanism in place to preserve adequate funding levels for student aid, Massachusetts' national rankings will undoubtedly continue to fall. To advance, or even maintain, its place in the rankings, the Commonwealth must restructure its policies to better serve student needs.

## PRINCIPLES TO GUIDE FINANCIAL AID POLICY

To guide its deliberations, the Task Force devised a set of core principles to provide a basis for student financial aid policy development. The Task force believes that student financial assistance serves as a basic investment in the economic and social development of the Commonwealth. This investment represents a fundamental compact between the state and residents who have the interest and ability to attend college, but who lack the financial means to do so. In forging this compact, three overarching principles must guide current and future policy with respect to student aid programs.

First, accessibility to postsecondary education should be assured for all qualified residents of the Commonwealth. Assuring access to educational opportunity promotes the economic, social, and democratic values that have defined the Commonwealth's citizens and government for more than two centuries.

Second, qualified students should have the ability to make a responsible choice regarding the institution they wish to attend. The lack of resources should not restrict students in choosing an institution, program of study, or level of instruction.

Third, there must be responsibility and accountability in the management of taxpayer resources and student performance. The returns on the taxpayers' investment in student assistance should be a fundamental concern of institutions, the state, and students and families. At the same time,



great care must be exercised to ensure that responsibility and accountability not be pursued at the expense of limiting access or continued access to those with financial need.

Against these overarching principles, the Commonwealth's student aid programs should be able to clearly delineate whom they serve, why these populations are being served, and what impact they have on students and the state. In assessing these questions, the programs should be evaluated by the extent to which they:

- encourage the successful *performance* of students in achieving specific postsecondary education degrees or appropriate education goals.
- promote *equity* for all students who have financial need so that student aid funds follow students to whatever institution they attend in the Commonwealth or in other states with reciprocal student aid arrangements.
- promote greater *awareness* for students and families regarding their responsibilities for paying for college and the availability of financial assistance.
- support *simplicity* in the processes of determining student eligibility and delivery of aid.
- are managed in the most *efficient*, least burdensome manner possible.
- *supplement*, but not replace or reduce, total aid available from federal, institutional, and other aid programs.
- provide opportunity for periodic *evaluation* so that funds continue to advance the three overarching principles.

## POLICY RECOMMENDATIONS

Student financial assistance plays a critical role in equalizing educational opportunity in the Commonwealth--a particularly important role in a state like Massachusetts with its high per capita income and standard of living. The Commonwealth's array of student aid programs has enabled students to select among the state's higher education institutions to find the one best suited for their needs and goals. At the same time, the Commonwealth has realized the contribution higher education makes to the social and economic success of the state. The value of the highly skilled and educated workers that Massachusetts' postsecondary institutions supply cannot be underestimated.

Yet, due to increasing financial needs, Massachusetts' current financial aid programs have failed to provide access and choice to the extent that today's students require. This need will grow as the expected demographic changes occur in the Commonwealth. As these populations continue to change, the programs serving these students must respond if the Commonwealth is to sustain and improve its position as a national leader.

More than eight months of meetings and discussions have resulted in these final policy recommendations. They represent the culmination of extensive analysis and review of current student aid programs as well as the economic and demographic factors facing Massachusetts now and in the future. State student aid policy must address these changing circumstances as the Commonwealth moves into the new century.

Through its deliberations, the Task Force has identified four major policy goals within which it has made several recommendations for future changes in Massachusetts student financial aid programs. These goals include:

- Increase access and success for the Commonwealth's neediest students;
- Promote student and institutional responsibility in aid programs;
- Improve outreach efforts regarding student assistance; and
- Streamline, focus, and simplify state student aid programs.

**POLICY: ESTABLISH A STATEWIDE GOAL OF INCREASING ACCESS AND SUCCESS FOR THE COMMONWEALTH'S NEEDIEST STUDENTS.**

While most of the current student aid programs rely on need as the main criterion in determining awards, the state has yet to state officially that serving the neediest students is the main goal of student aid policy in Massachusetts. With this goal established, the Commonwealth can focus its student aid programs, simply and equitably, on the students most in need of assistance.

**Program Recommendation: Transform the General State Scholarship Program into a new statewide grant system, the Massachusetts Access, Responsibility, and Choice (MARC) Grant system.**



Since the current array of programs has not kept pace with the growing needs of Massachusetts students regarding financial aid, a new system is necessary. Rather than add even more programs to the long list, however, the new MARC system seeks to streamline and simplify the Commonwealth's student aid programs, building on those that have worked in the past and creating new components of existing programs to address students' needs today and tomorrow.

The MARC system will use the most positive aspects of the General State Scholarship program-- basing awards on need, allowing awards to be used in all sectors, etc.--and expand on them by emphasizing access, responsibility, and choice. At the same time, the MARC system will unite elements of current and new state grant programs to meet each student's financial need. In its entirety, the MARC system will consist of a combination of 1) a Massachusetts Grant for Opportunity; 2) a Tuition Waiver, Cash Grant or Gilbert Scholarship award; and 3) a Performance Bonus Grant, available to students with the highest level of need. The interrelationship of these programs in the MARC system is displayed in Table II.

Furthermore, MARC will utilize new formulas that take into account all grant assistance (including Gilbert Grants and Tuition Waivers/Cash Grants) and use rational and fair methods for calculating maximum awards. This will assist in policy planning and resource allocation for student aid and provide students and families with increased awareness and understanding of aid available from the state. The entire MARC system bases each award solely on financial need, taking into account the cost each student must pay in order to attend college.

The maximum MARC award (the combination of a GO grant, a Tuition Waiver/ Cash Grant or Gilbert Grant, and a Performance Bonus award) will follow the current policy regarding the total amount that students in each sector may receive from the Commonwealth through need-based student assistance. For students in the independent sector, the maximum MARC award would be capped at 100 percent of the net public college and university state appropriations per student. This standard prevents the amount of state need-based financial aid for students in the private sector from exceeding the operating subsidy for all students in the public sector. For students enrolled in public universities, colleges, and community colleges, the maximum award would equal 100 percent of the prior-year's average tuition and mandatory fees in each public sector. Under this standard, the neediest students at these public institutions--who will qualify for the maximum award--would not be adversely impacted by year-to-year fluctuations in tuition and fees.

The maximum MARC award for other institutions--proprietary, vocational-technical, nursing, and out-of-state--would be limited to specific percentages of the average tuition for community colleges. For example, the maximum award for students attending proprietary institutions would be established at 150 percent of the tuition charge at community colleges. This standard provides a basic level of access for students attending these institutions, but also acknowledges the limitation of available resources for students in these categories.

The MARC system seeks to expand on the General State Scholarship program's goal of offering a basic level of financial assistance by targeting students with the most financial need to receive

higher levels of assistance from the state. With this new system, after ensuring aid for the neediest Commonwealth students, the state aims to expand the eligibility for state aid to accommodate more middle-income students, with the goal of serving significantly more eligible full-time students, so that they can complete their programs of study. Over time, the state will proportionally increase the maximum award levels for all recipients of state financial assistance to keep pace with rising need and costs.

*GO Grants* will serve as the principal component of the MARC system. Designed to provide a basic level of aid to ensure that all students have the opportunity to attend college, GO grants will replace General Scholarship awards and will continue to assist both low- and middle-income students attending independent and public colleges and universities in Massachusetts. The maximum GO award cannot exceed a student's demonstrated financial need. Award renewal is limited to the number of semesters normally required for completion of the program of study.

For the neediest students, the maximum GO Grant should offer higher maximum awards than are currently available under the General State Scholarship program. This amount may be increased over time as resources permit, thereby moving the Commonwealth toward the goal of meeting 100 percent of the maximum system cap under the overall MARC program.

In addition to GO grants, students in public institutions will remain eligible for need-based *Tuition Waivers and Cash Grants*, as long as the combination does not exceed their demonstrated financial need. Students with need who are enrolled in independent institutions



will be eligible for *Gilbert Grants* and GO grants. As a matter of policy, this assistance--Tuition Waivers/ Cash Grants and Gilbert scholarships--will be awarded in conjunction with the GO grants to enable the two components to work together to meet each student's financial need.

The Commonwealth's neediest students will also be eligible for a *Performance Bonus Grant*. This part of the MARC program rewards these students' success toward graduation, contributing to the overall economic and social development of the Commonwealth. First, because of their high level of need, these students will be eligible for the maximum GO award and the maximum Tuition Waiver/ Cash Grant or Gilbert Grant. Second, to encourage their success toward graduation, the MARC system will offer them a Performance Bonus grant. While this does not mandate student aid packaging policy at the institutional level, it provides a framework linking state grant programs to students' accomplishments.

Eligibility for this new component of the MARC system will include those students demonstrating a high level of need. For financially dependent students, eligibility for the Performance Bonus should be limited to those with an Expected Family Contribution (EFC) of zero and a total income of \$10,000 or less. For financially independent students<sup>38</sup>, eligibility for this award should be limited to those with zero EFC levels and a total income of \$6,000 or less.

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<sup>38</sup> The definition for independent students should be consistent with that used for federal Title IV student aid programs.

The *Performance Bonus Grant* provides incentives for students to perform well in college and persist toward the achievement of a postsecondary education degree or credential. To receive the Performance Bonus Grant, students will be required to maintain continuous enrollment without a break of more than two semesters or 12 months. In addition, students will have to sustain a 3.0 cumulative GPA in order to qualify for the bonus award; institutions without the grade point average system will be allowed to use a comparable qualitative measure that is calibrated with an institutional norm. Students will be eligible to receive a Performance Bonus after the completion of 30 credits at four year institutions, and after the completion of 24 credits at community colleges. Performance awards will be renewable for up to three years for students attending four-year institutions, and for one year for students attending community colleges. This component of the MARC system would not jeopardize other students' basic award packages, but instead would act as an additional incentive to promote success for Assured Access students.

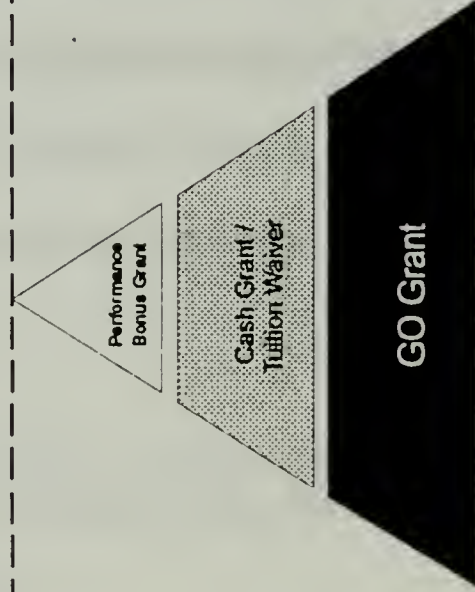
As Table II shows, the Performance Bonus Grant will equal the *difference* between the maximum MARC award cap and the maximum aid available from the other main need-based state aid programs, not to exceed \$500.<sup>39</sup> For students at independent institutions, the Performance Bonus amount will equal the difference between the MARC award cap and the combined total of maximum GO grant award plus the maximum Gilbert grant award. For students in public institutions, the Bonus grant will equal the difference between the MARC award cap and the

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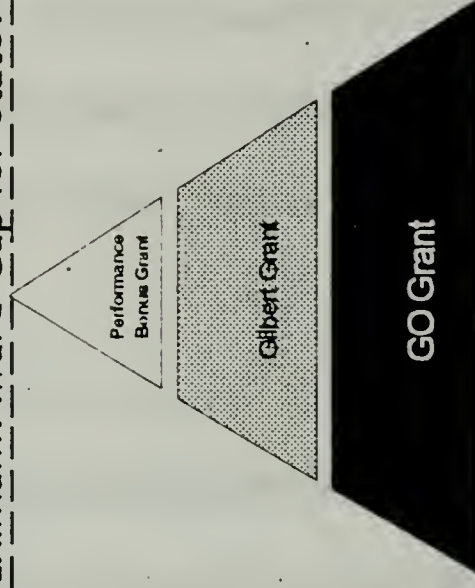
<sup>39</sup> This amount may be adjusted upward over time if the MARC award cap increases.

# MARC Grant System

## Maximum Award Cap for State Aid



Neediest Public  
Sector Students



Neediest Independent  
Sector Students



All Other  
Students



**TABLE II: MARC GRANT SYSTEM**

<u>MAXIMUM INDIVIDUAL AWARD COMPONENTS AND CALCULATIONS</u>				
<u>INSTITUTIONAL SECTOR</u>	<u>AWARD CAP</u>	<u>COMPONENTS</u>	<u>CURRENT GSS PROGRAM</u>	<u>MARC SYSTEM</u>
Independent	Net State Appropriation Per Student in the Public Sector (\$5,723)	Maximum GO Grant + Current Maximum Gilbert Grant + Performance Bonus	\$2,500 \$2,500 \$ 0 \$5,000	\$2,760 \$2,500 \$ 463 \$5,723
Public University	Average Tuition and Mandatory Fees (\$4,552)	Maximum GO Grant + Current Maximum Tuit. Waiver + Performance Bonus	\$1,100 \$2,103 \$ 0 \$3,203	\$1,370 \$2,103 \$ 500 \$3,973
Public College	Average Tuition and Mandatory Fees (\$3,292)	Maximum GO Grant + Current Maximum Tuit. Waiver + Performance Bonus	\$ 900 \$1,412 \$ 0 \$2,312	\$1,100 \$1,412 \$ 500 \$3,012
Comm. College	Average Tuition and Mandatory Fees (\$2,170)	Maximum GO Grant + Current Maximum Tuit. Waiver + Performance Bonus	\$ 700 \$1,076 \$ 0 \$1,776	\$ 870 \$1,076 \$ 224 \$2,170

combined total of the maximum GO grant award plus the maximum Tuition Waiver or Cash Grant. (Tuition Waivers, combined with Cash Grants, may not exceed the cost of tuition.)

The advantages of the new MARC system are clear. The Commonwealth's neediest students will benefit from increased access to higher education in conjunction with a new incentive to perform well and complete their degree by receiving a Performance Bonus Grant. Low- and middle-income students gain from grant awards that are higher than current maximums under the General State Scholarship program, and from an award matrix that improves awareness and understanding of state aid programs. The Commonwealth benefits from a rational student aid structure that links programs together, thereby improving policy planning and resource allocation necessary to meet student needs.

**Program Recommendation: Allow part-time students enrolled in degree programs to be eligible for a prorated proportion of the total aid available through the GO grant program.**

As the costs of college attendance have risen dramatically, more students have been forced to work more hours while attending school. Full-time employment and family obligations require many students, particularly returning adults and single heads of households, to enroll part-time as they pursue their degrees. These populations comprise a substantial portion of the students enrolled in higher education institutions in Massachusetts today. With demographics changing the student populations of the future and economic circumstances requiring more adults to acquire additional education throughout their lifetimes, the part-time populations at colleges are

only expected to grow. These students often need financial assistance in order to pursue a college education.

Of total student enrollment in Massachusetts in 1991, about 63 percent enrolled full-time, while 37 percent attended part-time.<sup>40</sup> Massachusetts student aid programs aim to assist full-time students primarily, but the Commonwealth also recognizes the growing financial need of part-time students. Since the Part-Time Student Grant program has not received funding for several years, a part-time component of the GO program would help to restore much-needed funding to this student population.

Part-time students enrolled in degree programs should be eligible for prorated awards, but, because of limited available resources, the portion of funding applied to these students should not exceed 10 percent of the total monies allocated to the GO program. This percentage of the appropriations for the GO program should be distributed by the Massachusetts Office of Student Assistance (OSFA) to campuses directly to allow institutions to target the needs of part-time students in an effective and efficient manner. To provide an added incentive for completion and because of limited resources, these funds should be made available only to part-time students enrolled in degree programs. The Student Aid Advisory Committee will assist in developing the formula for distributing part-time funds to institutions and in establishing a limit on the number of semesters that students may remain eligible for the grants.

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<sup>40</sup> National Center for Education Statistics.



**POLICY: PROMOTE STUDENT SUCCESS AND INSTITUTIONAL RESPONSIBILITY.**

Society as a whole benefits from educating its residents, and through its student aid programs, the Commonwealth demonstrates its commitment to investing in its residents and in society as a whole. To ensure quality and efficiency in its aid programs, the Commonwealth must promote responsibility on the part of the students and institutions to improve accountability in the programs overall. Increased student and institutional responsibility protects the state's investment in a fair and equitable way.

**Program Recommendation:** Require institutions to sign participation agreements with the Commonwealth as a requirement for participation in state student aid programs.

In order to participate in any of the Commonwealth's student aid programs, institutions should be required to sign a participation agreement, stipulating that they will monitor and report on specific program outcomes of recipients on an annual basis. These participation agreements should cover a specified time period--such as five years--similar to the approach in reauthorizing federal student aid programs. In consultation with institutions, the Commonwealth should reevaluate the agreements at the conclusion of this time period and modify them based on institutional performance.

Participation agreements are designed to ensure responsibility and accountability with respect to the administration of state financial aid resources. They will not extend to any other area of

institutional activity, such as curriculum, educational programs, or composition of the faculty, trustees, staff, or administration.

The exact content of the participation agreements should be determined after a consultative process involving the institutions themselves and should include some form of the following three requirements:

*Institutions should be required to provide basic demographic data on recipients of state aid to the Commonwealth Office of Student Financial Assistance (OSFA).* The lack of available information on the current state student aid programs restricted the efforts of this Task Force. In order to evaluate programs effectively in the future, increased data collection efforts and accountability mechanisms must be instilled in the Massachusetts financial aid system. Every institution should develop student monitoring systems to improve the process of information collection regarding student financial aid recipients. The system should include basic demographic information about recipients, such as income level, race, and dependency status, which institutions would then provide to OSFA.

*Institutions should describe counseling and support programs for all students that emphasize retention, student aid, and responsibilities for financing higher education.* Studies have shown that providing counseling and support programs that offer students information about financial aid, their responsibility of financing a college education, and the importance of staying in school all contribute to student success in college. With this requirement, every institution would need

to provide some sort of program offering this type of support. This program would be available to all students at the institution, not only for financial aid recipients. The Commonwealth recognizes that each institution can implement the type of program most suited to the unique needs of its students and does not mandate a specific counseling or support program. At the same time, the state realizes that institutions should be required to offer students some level of support services in this area.

*Institutions should also be required to describe plans for assessing the post-admissions basic skills and capacities of students and addressing any remedial or developmental needs.*

Research on student retention and completion shows that, in addition to financial aid, academic preparation is one of the most critical factors in determining student success in college. By requiring institutions to develop plans for assessing student skills that relate to the mission of the school and the successful completion of a degree, the Commonwealth hopes to encourage institutions to target the remedial or developmental needs of students. Focusing on these needs early in their college careers will add to individual student success, and will increase the probability that students receiving financial aid will also be successful in school. Currently, community colleges and a number of four-year institutions conduct mandatory assessments of their students in English, reading, and math; this proposal would expand this requirement to all institutions receiving state financial aid without specifying a particular assessment program or procedure.



**Program Recommendation:** Require students to meet the current federal satisfactory academic progress standards for student aid.

Recent changes to federal student aid policy require students receiving any form of federal financial aid to comply with standards of academic progress. Specifically, these guidelines stipulate that students must maintain a minimum GPA of 2.0 and complete their degree within 150 percent of the "published" length of their program. To ensure consistency and simplification, all state student aid programs should also follow these guidelines as minimum standards.

**Program Recommendation:** Require institutions to report financial aid office audits to the Commonwealth Office of Student Financial Assistance.

Currently, institutions are required to complete independent audits in order to participate in federal student aid programs. This requirement would extend these independent audits to include funds for state student aid programs. After the completion of the audit, the institutions would forward the results to OSFA. Accountability regarding state aid is necessary to adequately assess the effect of such aid on the Commonwealth. The institutions must become more accountable to the Commonwealth so that the OSFA can, in turn, work with them in developing policies and procedures to serve students in a simpler and more efficient way. With the information from these audits, in addition to the basic demographic data on state student aid

recipients that institutions will provide, OSFA can more effectively evaluate and restructure the Commonwealth's programs to best meet student needs.

**POLICY: ENHANCE EFFORTS TO COMMUNICATE INFORMATION ABOUT AVAILABLE FINANCIAL AID.**

Applying for financial aid remains a complex matter for many students and families. Successful financial aid programs will serve their purposes only if students acquire information about applying for the programs. To make access to college a reality for many of these students, the Commonwealth must utilize every potential communication tool for early intervention, thereby increasing the knowledge and awareness of available student aid among future recipients.

**Program Recommendation: Utilize technology to communicate specific information about the availability of student aid and application procedures.**

Through today's communication networks, information can be delivered across the state in a matter of seconds. By tapping this ability--such as on the Internet or cablevision--Massachusetts can reach populations that previously were unaware of the resources available to them. For example, the Commonwealth could use the Internet to increase the sharing of information between high school counselors and college admissions officers. At the same time, the state must make every effort to increase access to technology for disadvantaged populations around the state so that everyone can utilize the advantages that technology provides.

**Program Recommendation: Use and expand information centers to communicate financial aid information.**

Effective models for communicating this information already exist. The Higher Education Information Center (HEIC) at the main Boston Public Library, for example, provides vital information to needy and at-risk populations about college opportunities and financial aid. While other regional centers currently offer differing levels of similar services at limited sites across the state, the Commonwealth could expand these existing centers, creating a broader network of centers of information for all Massachusetts students to use. By increasing access to information for students from different areas of the state, the Commonwealth improves the probability that these students will be aware of the opportunities available to them, and that they will take advantage of these opportunities and apply for financial assistance.

**POLICY: STREAMLINE, FOCUS, AND SIMPLIFY STATE STUDENT AID PROGRAMS.**

As the Commonwealth restructures its efforts to assist students with their educations, the focus of the programs themselves must be improved. Using state-of-the-art technology, along with simplified and more efficient procedures, the state will be able to effectively utilize its resources and reach its goal of providing the best service to students in terms of available financial aid.



**Program Recommendation:** Consolidate the current state student aid programs that target labor force needs.

The current system of student aid includes several programs--most of which are currently unfunded--directed specifically toward labor force needs in the Commonwealth. A number of bills filed in the legislature each year add new aid programs for specific labor force areas. Many times these programs are not means-tested and award aid to students without regard for their financial need. For example, many of the categorical waivers under the Tuition Waiver program do not currently require means-testing for recipients. Because Massachusetts must address its economic future in its financial aid system, in this time of limited fiscal resources, the state would be better served by increasing the number of students who enter college and the overall rate at which they obtain their college degrees. Restricting programs to specific fields of employment does not represent the best method for targeting students with the most financial need. In today's world of scarce resources, students should receive financial assistance for college with their need as the essential criteria, not based on their employment goals.

**Program Recommendation:** Structure the No Interest Loan (NIL) program as a revolving fund that would allow several generations of students to receive loans and other forms of student aid support.

At the time of its inception, the No Interest Loan (NIL) program was intended to serve as a revolving loan program. Funds from the repayment of loans would provide loans for other students, thereby extending the cycle of support that NIL funds provide to low- and middle-income students. Currently, however, funds collected from loan payments are returned to the General Fund of the Commonwealth. The NIL program should be restored to a revolving fund and restructured to allow institutions more flexibility in targeting student needs. As the level of funding stabilizes to a pre-established level, a portion of the funds could be directed to address special needs as determined by the institutions, such as those of part-time students. Since the increasing reliance of students on loans remains a significant problem in the Commonwealth, directing NIL monies toward these needs uses these funds most effectively--by offering assistance to those who will benefit from it the most.

**Program Recommendation: Increase institutional flexibility in the Tuition Waiver, Cash Grant, and Gilbert Matching Scholarship programs.**

As a general principle, state student aid policy should focus on students with the greatest need. Current categorical waivers under the Tuition Waiver programs can benefit students without demonstrated need as well as students who have other resources for their education. This policy must be reexamined so that public institutions are able to use funds in these programs to target emerging student needs.

Similarly, independent institutions should have the ability to award both Gilbert and GO grants to the same students, a concept that is achieved through the MARC system but is prohibited under the current GSS program, even if need for the aid exists. This limits the amount of need that can be met for students at independent institutions.

In addition, efforts should be made to use the public policy process to increase the public understanding of the significant matching efforts that institutions contribute to student aid programs. Institutions should have the flexibility to use these funds to target special student needs. In order to meet student needs more adequately, institutions would also have the flexibility to award the Gilbert Scholarship in conjunction with the GO and Performance Bonus grants, as long as the total state grant award does not exceed the cap for each sector or the total demonstrated need of the student.

**Program Recommendation:** Require institutions to collect state scholarship recipient and distribution data, which will be reported to the Higher Education Coordinating Council and then forwarded to the governor and the legislature.

The efforts of this Task Force were severely restricted by the lack of available information about the current state student aid programs. Increased data collection efforts and accountability mechanisms must be instilled in the Massachusetts financial aid system. The Office of Student Financial Assistance should ensure that, as a condition of participation in state financial aid programs, every institution develop student monitoring systems to improve the process of



information collection regarding student financial aid recipients. The system should include basic demographic information about recipients, such as income level, race, and dependency status. By collecting this information, OSFA will be able to evaluate continuously its efforts and assess the impact of student aid over time.

With data on student aid recipients in hand from institutions, OSFA should be required annually to report aggregate data and trends to the governor, the legislature, and the Higher Education Coordinating Council (HECC). Each would then have the information necessary to evaluate the student aid programs properly and, in the legislature's case, to appropriate funds accordingly. OSFA would work in conjunction with the governor, the legislature, and HECC in requesting funds for programs demonstrating special needs.



## APPENDIX

### *Massachusetts' Current Student Aid Programs*

Student aid programs in Massachusetts offer students a variety of financial assistance options from the state level. Although the programs target different student needs, they share many common elements. Most of the programs are need-based and use the Free Application for Federal Student Aid (FAFSA) and the federal need analysis process to determine financial need. In addition, recipients must be permanent residents of the Commonwealth for at least one year prior to application. Massachusetts student aid programs also require students to comply with federal student aid eligibility criteria such as proof of citizenship, completion of Selective Service obligations, no record of default or repayment owed on prior financial aid, and satisfactory academic progress. Individual student aid awards cannot exceed a recipient's financial need or cost of attendance.

Providing more than \$33 million in aid in 1995 (almost half of total state student aid), the *General State Scholarship* is the primary student aid program in Massachusetts. Awards range from \$250 to \$2,500 and are determined according to a student's estimated family contribution (EFC) and cost of attendance. To be eligible for the program, each student must file a FAFSA and meet the general federal eligibility requirements. In addition, recipients must be permanent residents of the Commonwealth and enroll full-time in an undergraduate program at an eligible public or private institution within the state. Students can also use the awards at institutions in



the seven New England and Mid-Atlantic states that have student financial aid reciprocity agreements with Massachusetts.

The *Gilbert Matching Scholarship Grant* program assists students who attend one of the 72 independent postsecondary institutions in Massachusetts. Through this program, the state provides matching funds to colleges and universities which then distribute the funds to needy students. The financial aid office at each school determines the size of individual awards according to HECC guidelines. As with the General State Scholarship, students must be permanent Massachusetts residents and enroll full-time in an undergraduate program at an independent, regionally accredited institution within the state. In addition, recipients of the Gilbert Scholarship cannot also receive the General State Scholarship. In 1995, the Gilbert Grant is expected to award more than \$7 million in financial aid.

The *Christian Herter Memorial Scholarship* program awards grants to needy students who show academic potential but whose socioeconomic circumstances might otherwise prevent them from attending college. Scholarship recipients are identified in the 10th or 11th grade and nominated because of their strong academic capability, high financial need, and difficult personal circumstances. Twenty-five students are selected each year to receive grants of up to a maximum of 50 percent of their financial need. Recipients may attend any accredited degree-granting institution in the United States but must enroll full-time in an undergraduate program and are not eligible to receive General Scholarship awards.

The *Massachusetts Public Service Grant* was created to extend financial assistance for postsecondary education to the children and spouses of persons killed or missing in the line of public service in the Commonwealth. Public Service Grants equal the cost of tuition at a public Massachusetts institution. If recipients choose to attend an independent institution in the Commonwealth, the awards equal \$2,500. To receive these awards, students must provide documentation of their parent's or spouse's status, comply with federal eligibility standards, and be permanent Massachusetts residents enrolled as full-time undergraduates. This grant program, in conjunction with the Herter Scholarship, will provide about \$1 million in scholarship aid in 1995.

The *No Interest Loan (NIL)* program was designed to offer student financial assistance in addition to the other state programs. To borrow under NIL, students must meet the same eligibility requirements as with the General State Scholarship program and must sign a promissory note with the state. Loans may not exceed \$4,000 per year or \$20,000 total. In 1995, the NIL program will offer approximately \$10 million in loans for students.

The Commonwealth developed the *Mass Plan* to help parents with their children's educational costs. Through this program, parents may borrow up to 100 percent of the cost of attendance for their children who are enrolled in any participating college or university in Massachusetts. Students are required to co-sign the loan, and the parent must be credit worthy and meet any other eligibility requirements. This program will provide about \$1 million in financial assistance in 1995.

To assist the neediest students who attend public colleges and the University of Massachusetts, the Commonwealth created the *Tuition Waiver* and *Cash Grant* program. The Tuition Waiver program represents a loss of revenue to the Commonwealth, while funds are appropriated for the Cash Grant program each year. In 1995, the Tuition Waiver program is expected to provide \$9.9 million in financial aid, and the Cash Grant program will supply \$10 million. The programs are based on need and share the same guidelines. The waivers and cash awards cannot exceed the tuition charged by the institution the student is attending and can only be used at public institutions.

The Higher Education Coordinating Council establishes the cap for the need-based waivers annually in conjunction with setting student charges for the public sector. Need-based tuition waivers require recipients to be permanent Massachusetts residents, to comply with federal eligibility requirements, and to demonstrate financial need according to the institution's needs analysis. Depending on the student's financial need, waivers can be granted for full or partial tuition, but the student must be enrolled for at least three undergraduate credits per semester.

In addition to the need-based waiver program, several other categorical waivers are targeted to assist numerous specific populations, such as Veterans, Native Americans, senior citizens, and other categories established by individual institutions, such as graduate students. Besides the categorical requirements, the recipients of these waivers must meet the same eligibility criteria as the need-based waivers. In most cases, these categorical waivers are entitlement-based with



no need requirements and limited eligibility criteria. Institutions determine the level of the individual awards and the eligibility requirements, if any.

In addition to the eight scholarship, grant, and loan programs that the state currently funds, 13 other state aid programs exist in law, but will not receive funding in 1995. Due to fiscal constraints, shifting priorities, and the reconfiguration of other programs, the Commonwealth has not appropriated funds for the majority of these programs since 1990. Most of these are special needs programs that assist students in specific occupation-related fields, such as teaching, engineering, and medicine. These programs include the *Christa McAuliffe Teacher Incentive Grant*; the *Medical, Dental, and Veterinary Scholarship*, and the *Graduate Nursing Stipend* programs. Others, such as the *Part-Time Student Grant* program, focus on serving students that are ineligible for some of the other state aid programs, like part-time students.

Massachusetts also administers several financial assistance programs that are financed by sources other than the state. The *Agnes M. Lindsay Scholarship* targets needy students from rural areas who attend public colleges and universities in the Commonwealth. The Lindsay Trust privately funds the program and defines its eligibility criteria. Also, the federal government finances the *Federal Paul Douglas Teacher Scholarship* which awards up to \$5,000 to state residents with strong academic records who commit to teaching two years for every year that they receive the award.



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### *Charge to the Task Force*

Student financial assistance programs in Massachusetts exist to ensure that financially needy students have a realistic opportunity to enter and graduate from college. The Commonwealth currently appropriates approximately \$75 million in financial assistance to provide access, participation, and persistence in higher education. With widespread national attention on student aid policy increasing amidst a prevailing focus on financial aid reform by federal and state government, Massachusetts must also take the necessary steps to broaden and continue access and choice and to ensure that both remain a benefit to the targeted population.

The Task Force on Student Financial Aid will analyze current financial aid policy; examine program effectiveness and overall program operations; and determine the impact that student financial aid has on access and choice in Massachusetts. Specifically, the Task Force, in reviewing the targeting of resources to those who deserve assistance, is charged with evaluating the overall cost/benefit impact of state funded student financial aid on the Commonwealth. These efforts will be helpful in assessing if the targeted population has truly been served by the programs.

At the completion of its review, the Task Force will provide to the Chancellor of the Higher Education Coordinating Council with recommendations for program and/or award changes, including any change in the targeting of resources to any eligible populations which financial aid programs should reach.



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## SUMMARY OF FINDINGS AND RECOMMENDATIONS

POLICY	EVALUATION FINDINGS	PRINCIPLES/ EVALUATION FACTORS	PROGRAM RECOMMENDATION
<p>Establish a statewide goal of increasing access and success for the Commonwealth's neediest students.</p>	<ul style="list-style-type: none"> <li>■ Massachusetts ranks behind other states in its commitment to student aid.</li> <li>■ State student aid awards have declined significantly.</li> <li>■ State student aid award levels do not respond to student need.</li> <li>■ The ratio of loans to grants has increased dramatically.</li> <li>■ Massachusetts student borrowing has risen significantly.</li> <li>■ Not enough emphasis has been placed on student persistence and success through student aid programs.</li> </ul>	<p><i>Access, Choice, Responsibility and Accountability/ simplicity, equity, performance, supplement, efficiency</i></p>	<p>Transform the General State Scholarship Program into a new statewide grant system, the Massachusetts Access, Responsibility, and Choice (MARC) Grant system, consisting of a combination of 1) the Massachusetts Grant for Opportunity (GO), 2) a Tuition Waiver, Cash Grant, or Gilbert Grant, and 3) a Performance Bonus Grant.</p>
	<ul style="list-style-type: none"> <li>■ Massachusetts ranks behind other states in its commitment to student aid.</li> <li>■ State student aid awards have declined significantly.</li> <li>■ State student aid award levels do not respond to student need.</li> <li>■ The ratio of loans to grants has increased dramatically.</li> <li>■ Massachusetts student borrowing has risen significantly.</li> </ul>	<p><i>Access, Choice/ equity, simplicity, and supplement</i></p>	<p>Allow part-time students enrolled in degree programs to be eligible for a prorated proportion of aid available through the GO grant program.</p>

<p>Promote student success and institutional responsibility.</p>	<ul style="list-style-type: none"> <li>▪ The statewide strategy to improve student and parent understanding of financial aid needs to be strengthened.</li> <li>▪ Limited data on student aid recipients restricts any analysis of the impact of these programs.</li> <li>▪ Massachusetts student borrowing has risen significantly.</li> <li>▪ Not enough emphasis has been placed on student persistence and success through student aid programs.</li> </ul>	<p><i>Responsibility and Accountability/ evaluation</i></p>	<p>Require institutions to sign participation agreements with the Commonwealth to participate in state student aid programs.</p>
	<ul style="list-style-type: none"> <li>▪ Not enough emphasis has been placed on student persistence and success through student aid programs.</li> </ul>	<p><i>Responsibility and Accountability/ performance, simplicity</i></p>	<p>Require students to meet the current federal satisfactory academic progress standards.</p>
	<ul style="list-style-type: none"> <li>▪ Limited data on student aid recipients restricts any analysis of the impact of these programs.</li> </ul>	<p><i>Responsibility and Accountability/ evaluation, efficiency</i></p>	<p>Require institutions to report financial aid office audits to the Commonwealth Office of Student Financial Assistance.</p>
<p>Improve outreach efforts in communicating information about available financial aid.</p>	<ul style="list-style-type: none"> <li>▪ The statewide strategy to improve student and parent understanding of financial aid needs to be strengthened.</li> </ul>	<p><i>Access, Choice/ awareness, efficiency</i></p>	<p>Utilize technology to communicate specific information about the availability of student aid and application procedures.</p>
	<ul style="list-style-type: none"> <li>▪ The statewide strategy to improve student and parent understanding of financial aid needs to be strengthened.</li> </ul>	<p><i>Access, Choice/ awareness, efficiency</i></p>	<p>Use and expand information centers to communicate financial aid information.</p>



Streamline, focus, and simplify state student aid programs.	<ul style="list-style-type: none"> <li>■ Massachusetts ranks behind other states in its commitment to student aid.</li> <li>■ State student aid awards have declined significantly.</li> </ul>	Access, <i>Choice</i> / simplicity, equity, efficiency	Consolidate the current state student aid programs that target labor force needs.
	<ul style="list-style-type: none"> <li>■ Massachusetts ranks behind other states in its commitment to student aid.</li> <li>■ State student aid awards have declined significantly.</li> </ul>	Access, <i>Choice</i> / supplement, efficiency	Structure the No Interest Loan (NIL) program as a revolving fund that would allow several generations of students to receive loans and other forms of student aid support.
	<ul style="list-style-type: none"> <li>■ Massachusetts ranks behind other states in its commitment to student aid.</li> <li>■ State student aid awards have declined significantly.</li> </ul>	Access/ simplicity, equity, efficiency	Increase institutional flexibility in the Tuition Waiver, Cash Grant and Gilbert Matching Scholarship programs.
	<ul style="list-style-type: none"> <li>■ Limited data on student aid recipients restrict any analysis of the impact of these programs.</li> </ul>	<i>Responsibility and Accountability</i> / evaluation, performance	Require institutions to collect state scholarship recipient and distribution data, which will be reported to the Higher Education Coordinating Council and then forwarded to the governor and the legislature.







